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IDAHO PUBLIC UTILITIES COMMISSION

1913 - 1988

75th Annual Report of the Idaho Public Utilities Commission

1988

The commission shall make and submit to the governor on or before the first day of December of each year, a report containing a full and complete account of its transactions, and proceedings for the preceding fiscal year, ending June thirtieth, together with such other facts, suggestions, and recommendations as it may deem of value to the people of the state.

The Public Utilities Law
Idaho Code § 61-214

IDAHO PUBLIC UTILITIES COMMISSION

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75th Annual Report of the Idaho Public Utilities Commission

Written and Edited by
Gary Richardson, Information Officer

Information and assistance provided by the IPUC's
Administrative, Legal, Regulated Carrier
and Utilities Divisions

1988

IDAHO PUBLIC UTILITIES COMMISSION

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Regulated Carrier Division	334-3092

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Dean J. (Joe) Miller,
IPUC President

A Message from the President

To the Honorable Cecil D. Andrus,
Governor of Idaho:

I am pleased to transmit herewith the annual report of the Idaho Public Utilities Commission. The report is prepared in compliance with *Idaho Code* §61-214 which requires the commission to submit to you, on or before the first day of December, a report of the commission's transactions and proceedings.

Although the period of time covered by the report is the preceding fiscal year ending June 30, 1988, the statute also authorizes the commission to report "such other facts, suggestions and recommendations as may be of value to the people of the State." Accordingly, in the comments that follow we will include some matters of timely interest occurring between June 30 and the date of this report.

The industries regulated by our commission constitute the foundation upon which most other economic activity occurs. Taken together, the energy and water utilities, the telecommunications companies and the transportation industry are the economic backbone of commerce. It is thus appropriate for us to summarize the commission's activities and observations with respect to each of these industries.

The electric utility industry may be on the verge of significant structural change, as illustrated by merger of two utilities regulated by the Idaho commission, PacificCorp and Utah Power and Light. The commission examined the proposed merger in great detail and after several days of hearing found that the merger would not be adverse to the public interest. In fact, the merger should bring significant rate relief to the Idaho customers of Utah Power. Notwithstanding our approval of of this merger, the commission recognizes the potential harm to ratepayers that can result from consolidations, and we will examine any future applications with similar care.

Although the problem of comparatively high rates in the Utah Power service territory has in the past prompted legislative proposals, the commission believes that the benefits of the merger are of sufficient magnitude to render further legislative action unnecessary. This is especially true in light of an independent initiative on behalf of the commission to achieve a reduction in the rates paid by the commercial class of customers on the Utah Power system.

The commission also addressed the problems associated with utility investment in failed nuclear facilities. By a two-to-one vote the commission approved a settlement that brought to an end several years of litigation surrounding Washington Water Power's involvement in the nuclear projects of the Washington Public Power Supply System. The commission concluded that the settlement will not result in higher rates for Idaho ratepayers and will preserve the financial integrity of the company.

The commission continued its re-examination of the rates paid by utilities to cogenerators and small power producers. After imposing a moratorium on the forced execution of cogeneration contracts in 1987, the commission established interim rates to be in effect pending completion of this investigation. Simultaneously, activity at the Federal Energy Regulatory Commission raised new questions about the future of electrical generation and the manner in which it will be acquired. The commission recommends that all affected agencies of government and the utilities follow these developments with careful attention.

In a closely related matter, the commission issued a major policy statement regarding the role of conservation in meeting our future energy needs. The commission ordered electric utilities to consider conservation as a resource of equal value to generation and to include conservation as a resource in the utility's planning process.

Although most Idaho utilities currently enjoy a surplus of generating capability, that circumstance will not last forever. The improvement of Idaho's economy, for which your leadership may rightly take credit, may ultimately lead to the depletion of our energy surplus. In order to avoid or at least postpone the construction of costly or environmentally objectionable generating facilities, the commission recommends that energy conservation again become a priority.

A new challenge to the commission's goal of insuring reasonably priced water service is on the horizon. The Safe Clean Drinking Water Act, passed by Congress and now being implemented by relevant federal agencies may impose astronomical costs on water utilites to achieve compliance with new Environmental Protection Agency regulations. The commission staff is studying possible consequences and solutions. However, the problem is of sufficient importance to warrant attention by other agencies as well.

During its last session, the legislature passed the Telecommunications Act of 1988 which, in essence, created a new regulatory structure for telephone companies in Idaho. Since then, the commission has conducted several proceedings to implement the complicated provisions of the Act. Most particularly we have taken steps to activate a Universal Service Fund. This was originally proposed by the commission prior to passage of the Act and is designed to keep rates in rural areas at reasonable levels.

Many issues remain to be resolved as portions of this industry are transformed from monopoly providers to market place competitors. Some issues may require legislative action, and we will bring these to your attention if necessary.

Although state commissions have diminished regulatory supervision of railroads since federal passage of the Staggers Act, the Idaho commission has held that we have authority to approve or disapprove proposals to close railroad freight agencies and service centers. Accordingly, the commission conducted hearings on a Union Pacific proposal to close several freight agencies and to transfer many operational functions to a central location. The application was approved in part and denied in part. Our order in this case reflects the commission's continuing belief that adequate rail service should remain available to the businesses of our state.

In a related manner, the commission has, pursuant to *Idaho Code* §62-424, commenced investigations into proposed abandonments of several railroad branch lines. We have received informal indications that our activity in this area may prompt an effort to repeal Section 62-424. The commission is satisfied that our investigation and hearings in these matters are in the public interest and we therefore recommend that your office oppose any such effort.

One of the most basic responsibilities of the commission is to insure that consumers receive utility service at rates and upon terms that are just and reasonable. During the past year the commission concluded two generic proceedings that affect all ratepayers. First, the commission ordered all utilities to reduce their rates to reflect reductions in income tax expense arising from the Federal Tax Reform Act of 1986. Second, the commission completed its revision of our Consumer Rules for energy utilities. After lengthy public hearings and debates inside the commission, we continued, with some modification, the rule which prevents the termination of electric or gas service during winter months for impoverished households. Although this provision is not without cost or controversy, we are able to state that the less fortunate members or our society will not suffer death or injury due to the loss of residential gas or electric heat during Idaho's harsh winters.

By way of conclusion, we observe that the commission commemorated its 75th anniversary on June 30, 1988. From the time of its inception to the present date only 35 citizens of our state have enjoyed the distinction and the responsibility of service on the commission. Assisted in our efforts by our very able staff, commissioners Perry Swisher, Ralph Nelson and I consider ourselves privileged to be among those responsible for performing the important and unique duties of the Idaho Public Utilities Commission.

Respectfully submitted,

Dean J. (Joe) Miller
President

IDAHO PUBLIC UTILITIES COMMISSION
1913 - 1988

Commissioner	From	To
J. A. Blomquist	May 8, 1913	Jan. 11, 1915
A. P. Ramstedt	May 8, 1913	Feb. 8, 1917
D. W. Standrod	May 8, 1913	Dec. 1, 1914
John W. Graham	Dec. 1, 1914	Jan. 13, 1919
A. L. Freehafer	Jan. 14, 1915	Jan. 31, 1921
George E. Erb	Dec. 8, 1917	April 14, 1923
Everett M. Sweeley	May 23, 1919	Aug. 20, 1923
J. M. Thompson	Feb. 1, 1921	Dec. 20, 1932
Will H. Gibson	April 16, 1923	June 29, 1929
F. C. Graves	Sept. 7, 1923	Nov. 12, 1924
Frank E. Smith	March 6, 1925	Feb. 25, 1931
J. D. Rigney	July 2, 1929	Sept. 30, 1935
M. Reese Hattabaugh	March 2, 1931	Jan. 26, 1943
Harry Holden	March 27, 1933	Jan. 31, 1939
J. W. Cornell	Oct. 1, 1935	Jan. 11, 1947
R. H. Young	Feb. 1, 1939	March 19, 1944
B. Auger	Feb. 1, 1943	March 9, 1951
J. D. Rigney	March 30, 1944	April 30, 1945
W. B. Joy	May 1, 1945	March 9, 1951
H. N. Beamer	Jan. 17, 1947	Dec. 31, 1958
George R. Jones	March 12, 1951	Jan. 31, 1957
H. C. Allen	March 12, 1951	Feb. 28, 1957
A. O. Sheldon	March 1, 1957	June 30, 1967
Frank E. Meek	Feb. 1, 1957	Feb. 5, 1964
Ralph H. Wickberg	Jan. 14, 1959	Feb. 23, 1981
Harry L. Nock	May 1, 1964	Sept. 30, 1974
Ralph L. Paris	July 1, 1967	Oct. 5, 1967
J. Burns Beal	Dec. 1, 1967	April 1, 1973
R.T. Lenaghen	April 1, 1973	April 15 , 1979
M. Karl Shurtliff	Oct. 1, 1974	Dec. 31, 1976
Matthew J. Mullaney	Jan. 2, 1977	Feb. 15, 1977
Conley Ward, Jr.	March 7, 1977	Feb. 9, 1987
Perry Swisher	April 16, 1979	Now Serving
Richard S. High	Feb. 24, 1981	April 30, 1987
Dean J. Miller	March 16, 1987	Now Serving
Ralph Nelson	May 4, 1987	Now Serving

SOME NOTES ON IDAHO'S FIRST P.U.C.

Office space was a problem from the beginning. Commissioners J.A. Blomquist, A.P. Ramstedt, and D.W. Standrod were among the last gubernatorial appointments made in 1913. By May, all available space in the new Capitoi building had been taken by other state officials.

Through the "kindly intercession" of Gov. John Haines, officers of the National Guard vacated their Statehouse rooms in favor of the new commission -- to quote from the commission's first annual report, "thereby saving the rent that would have otherwise reduced the limited appropriation that had been allowed our department by the legislature."

The original staff was limited to the Commission Secretary, mandated by law, an accountant, three stenographers, a filing clerk, and a general assistant to the Secretary and the accountant. The commission and its staff also doubled as the State Tax Commission that first year. (The Tax Commission Law was repealed the next year.)

"In view of the limited appropriation," the first commission said in their report to the Gov. Haines, "and your admonition to the officers of all State departments, to conduct the same with the least expense commensurate with efficiency, we determined to make no appointments except in cases of absolute requirements." Engineers were hired on an as needed basis.

The new commission was deluged that first year with 226 cases. The work load was so heavy that the commissioners had to give up almost immediately the idea of hearing the important cases as a group:

> From the present congestion of the calendar of cases requiring a hearing, and the taking of testimony, in order to expedite such hearings it has become apparent that as many hearings will have to be had at the same time as possible, and cannot be heard before more than one commissioner. In most of the cases involving intricate issues the testimony is taken and oral arguments and briefs afterwards submitted to the commission as a whole, thereby enabling all members to take part in the decision and orders, when the same are finally made, and in this way assisting the one member before whom the testimony was taken.

Another problem arose immediately:

> An effort was made, and has unceasingly continued, to obtain a list of the public utilities under the jurisdiction of

> the commission. This has been very trying and unsatisfactory.
>
> There are many utilities in the state transacting business for the mutual benefit of the stockholders of the corporation controlling them, and which do not demand or collect any compensation for the services rendered -- which places them beyond the pale of the law of regulation. We have not attempted to list utilities of this character or required any report from them.
>
> There are many utilities, however, which should be controlled by the act which thus far have failed to communicate with the commission or subjected themselves to the publicity of being known as such utilities. From the experience we have had in trying to obtain this information we find that many of such utilities regard themselves as of such little consequence, and the business in which they are engaged of such narrow scope that no notice should be taken of their operations.
>
> So far we have obtained a list of:
>
> 16 steam railroads
> 4 electric railroads
> 43 electric light cos.
> 4 gas companies
> 34 telephone cos.
> 8 telegraph companies
> 53 water companies
> 25 warehousemen
> 9 express companies
> 6 vessels
> 1 sleeping car co.

One of the first issues the new commission was called upon to decide was not designed to place the regulators high in the minds of their colleagues in state government. Since the arrival of the railroads in the Idaho Territory, it had been the custom to grant free transportation to state and county officials.

> This was usually given in the form of an annual pass entitling the holder . . . to travel promiscuously and without limitation on the entire system, within the state, of the railroad company granting the favor. Members of the legislature were granted trip passes for themselves, their families and many of their friends. This latter practice was carried to such an extent that during the sessions of the legislature in recent years such trip passes . . . would run into the hundreds.

The 1909 Legislature passed a law prohibiting the railroads from giving passes to the governor, the courts, and nearly all other state and county officials. But when the 12th Idaho Legislature drew up the Idaho Public Utilities Act, it left up to the new commission the question of which state officials should receive free rides on the trains.

> As could have been anticipated, immediately after the organization of the commission, applications for free transportation began to pour in for the commission's action. . . . the heads of many . . . state departments continued to apply for free transportation for themselves and their deputies, presenting earnest and plausible grounds for their demands,

> claiming that as such transportation had theretofore been given, the legislature, in making the appropriation for the maintenance of their respective departments, had in view, that the expense of railroad transportation would not have to be paid by them.
>
> The commission, believing that the public sentiment of the state, opposed to the granting of passes for free transportation was becoming more emphasized as reflected in the statutes adopted by successive legislatures, stood firm in its policy of refusing to direct common carriers to issue free transportation to any state officer. This action brought severe condemnation of the commission from many quarters, the critics contending that the state was the loser of great sums of money by reason of having to pay railroad fares for its officers.
>
> We believe that the people, generally, have endorsed the action of the commission and have taken the side of eliminating the evil of free passes, an evil which the Interstate Commerce Commission has recently characterized as "a menace to the institutions of a free people." These applications gradually abated, and at this writing we feel gratified in saying that they have entirely ceased; and we believe that public sentiment, which includes the railroad companies themselves, has become confirmed in the thought that the practice of granting free transportation to public officials of the state will never again be in vogue.

As happens from time to time, the legislature's and the commission's readings of public sentiment differed. The 1914 Legislature required the commission to certify state officials, sheriffs, or deputy sheriffs for free transportation. In its second year, more than 700 such certificates were issued.

> Applications for certificates have been more numerous and applicants have been more insistent, no doubt because the legislature made very limited appropriations for traveling expenses for the various departments, believing that the carriers generally would grant free transportation upon certificates from the commission. Even the commission was compelled to ask for free transportation for its members and employees, or to restrict its activities to the vicinity of the State Capital.

The 1914 Legislature also reduced the commissioners' salaries from $4,000 to $3,600 a year. However, the lawmakers successfully withstood efforts by "advocates of unrestricted competition between public utilities" to repeal the commission's power to grant regulated monopoly status through certificates of convenience and necessity. And a bill to repeal the entire Public Utilities Act never made it out of committee.

Maintaining the Balance: The Commission's Trust

The work of the Idaho Public Utilities Commission is a balancing act. Under Idaho law the commission supervises and regulates every investor-owned utility in the state, assuring adequate service and fixing just, reasonable, and sufficient rates. In setting rates, the commission must consider both the ability of utility customers to pay and the ability of the utility to earn.

The commissioners are appointed by the governor with the approval of the state senate. Not more than two commissioners shall be of the same political party. They serve staggered six-year terms. If a vacancy occurs when the senate is not in session, the governor appoints a replacement subject to later senate approval. The governor may remove a commissioner for dereliction of duty, corruption, or incompetency.

The three-member commission was established by the 12th session of the Idaho legislature and was organized May 8, 1913 as the Public Utilities Commission of the State of Idaho. In 1951 it was reorganized as the Idaho Public Utilities Commission. The commission's statutory authorities are set out in Idaho Code titles 61 and 62.

The commission has quasi-legislative and quasi-judicial as well as executive powers and duties. In its quasi-legislative capacity, the commission sets rates and makes rules governing utility operations. In a quasi-judicial manner the commission hears and decides complaints, issues written orders similar to court orders, and may have its decisions appealed only to the Idaho Supreme Court. As an executive agency, the commission enforces state laws affecting the utility and transportation industries.

The commission oversees the intrastate operations of investor-owned utilities--electric, gas, water, and telecommunications--and common carriers--trucks, buses, railroads, and pipelines. During 1988 the commission regulated six electric utilities, two natural gas utilities, 17 telephone companies, 24 water companies, six railroads, one pipeline, and several hundred motor carriers.

The commission does not regulate publicly owned, municipal, or cooperative utilities. It registers and collects fees from but does not regulate several thousand private and interstate motor carriers.

How the Commission Works

The commission president is its chief executive officer. The commission elects one of its members to a two-year term as president at its meeting on the first Monday in April in odd-numbered years. The president signs contracts on the commission's behalf, is the final authority in personnel matters, and handles other administrative tasks.

The administrative office of commission president is distinct from the chairmanship of cases or hearings before the commission. Chairmanship of individual proceedings is rotated among all three commissioners. The commission maintains an office in Boise, where it holds public meetings at least once a month. It conducts its business in two kinds of meetings: hearings and decision meetings. Formal hearings on utility and transportation issues are held on a case-by-case basis, usually in the service area of the utility being considered to allow maximum public participation.

The hearings resemble judicial proceedings and are recorded and transcribed by a court reporter. The formal parties to the case under consideration present testimony and evidence, subject to cross-examination by the other parties and the commissioners. The testimony is often prefiled in writing several weeks before the hearings.

Members of the general public may address the commission at a hearing without prior notice or formal intervention. However, those wishing the full rights of parties, such as the right to cross-examine other witnesses, must file for intervenor status.

The commission also holds decision meetings to consider issues set forth on an agenda prepared by the commission Secretary. These meetings are usually held each week.

Typically, decision meetings consist of the commission's review of decision memoranda prepared by commission staff. The commission Secretary takes minutes of the meetings. Decisions reached at these meetings are preliminary, becoming final when spelled out in a written order signed by a majority of the commission.

The Commission Staff

To help insure that its decisions are fair and workable, the commission employs a staff of about 50 people -- engineers, rate analysts, attorneys, accountants, investigators, economists, secretaries, and other support personnel. The commission staff is organized in four divisions -- administration, legal, utilities, and regulated carrier.

The staff analyzes each petition, complaint, rate increase request, or application for an operating certificate received by the commission. In formal proceedings before the commission the staff acts as a separate party to the case, presenting its own testimony, evidence, and expert witnesses. The commission considers staff recommendations along with those of other participants in each case -- including the utilities, the public, agricultural, industrial, business, and consumer groups.

Administration

The Administrative Division is responsible for coordinating overall IPUC activities. The division includes the three commissioners, the Commission Secretary, the Executive Assistant, the Director of External Affairs, the Director of Accounting Analysis, the Information Officer, and clerical support personnel.

The Commission Secretary, a post established by Idaho law, keeps a precise public record of all commission proceedings. The Secretary issues notices, orders, and other documents to the proper parties and is the official custodian of documents issued by and filed with the commission. These documents are public records.

The Executive Assistant has primary responsibility for the commission's fiscal operations. The Director of External Affairs manages the commission's relations with other state and federal agencies, including the Idaho Legislature. Together the Executive Assistant and Director of External Affairs prepare the commission budget and supervise fiscal, personnel, and computer operations.

The Director of Accounting Analysis is responsible for the initial review of cases filed with the commission and for determining the impact of changes in federal laws and rules on commission policies and practices.

The Information Officer is responsible for informing the public of commission decisions, meetings, and activities, responding to requests for information, coordinating public hearings, and preparing materials that allow for effective public participation in IPUC proceedings.

Legal Division

The IPUC staff is represented by five Deputy Attorneys General who are assigned to the commission and have permanent offices at IPUC headquarters. The IPUC attorneys represent the staff in all matters before the commission, working closely with staff accountants, engineers, investigators, and economists as they develop their recommendations for rate case and policy proceedings.

In the hearing room, IPUC attorneys coordinate the presentation of the staff's case and cross-examine other parties who submit testimony. The attorneys also represent the commission itself in state and federal courts and before other state or federal regulatory agencies.

Utilities Division

The Utilities Division is responsible for the technical analysis of all utility matters before the commission. Although the division is divided into five sections, staff members from all sections work closely to analyze utility filings.

The Accounting Section audits utility books and records to verify reported revenue, expenses, and compliance with commission orders. Staff auditors present the results of their findings in audit reports as well as in formal testimony and exhibits. When a utility requests a rate increase, its revenues, expenses, and investments are analyzed to determine the amount needed for the utility to earn the return on its investment recommended by staff economists.

The Engineering Section reviews the physical operations of utilities. Staff engineers determine the cost of serving various types of customers, design utility rates, and allocate costs between Idaho and the other states served Idaho utilities. Staff engineers also determine the cost effectiveness of conservation and cogeneration programs, evaluate the adequacy of utility services, and frequently help resolve customer complaints.

The Economic Analysis Section performs cost-of-capital studies, develops computer models of utility operations, and reviews utility forecasts of energy usage and the need for new plant. Staff economists work very closely with staff engineers, especially in the areas of cost-of-service studies, rate design, and cost-benefit analysis of utility programs.

The Telecommunications Section reviews and recommends commission action on the myriad of new telecommunications services filed with the commission each year. Telecommunications analysts propose ways to allocate revenue among the various types of telecommunications services and recommend rates to recover that revenue. They also help resolve disputes between telecommunications companies and their customers.

The Consumer Assistance Section tries to resolve conflicts between utilities and their customers. For example, customers faced with service disconnections often seek help in negotiating payment arrangements. Consumer Assistance may also mediate disputes over billings, deposits, line extensions, and other service problems.

Consumer Assistance monitors Idaho utilities to see if they are
complying with commission orders and regulations. It participates in general rate and policy cases when it needs to bring rate design and customer service issues to the commission's attention.

Most consumers contact the commission by telephone. Most disputes are resolved without the consumer having to file a written complaint or visit the commission's office in Boise. Staff members may negotiate payment arrangements with utilities on behalf of consumers and, where appropriate, refer clients to social service agencies, financial aid programs, or budget counseling services .

Regulated Carrier Division

The Regulated Carrier Division oversees railroads and motor carriers that move passengers and freight in and through Idaho. The division makes sure all motor carriers are registered, adequately insured, and in compliance with safety requirements.

The IPUC has limited jurisdiction over the rates, routes, and services of trucks, buses, and railroads operating in the state. All motor carriers operating in or through Idaho must register with the IPUC and pay a fee. In addition, intrastate common and contract carriers must file with the commission proof of insurance and copies of their tariffs or contracts.

The Regulated Carrier Division employs four investigators who inspect carriers for proper certification and safety compliance. the investigators are based in Boise, Idaho Falls, Lewiston, and Twin Falls. They enforce state and federal hazardous materials regulations to ensure their safe transportation in Idaho.

Today's Commissioners

DEAN J. (JOE) MILLER, President, was appointed in March 1987 by Gov. Cecil Andrus to complete the term of Conley Ward, who resigned his commission seat in February 1987.

Miller, a Democrat, was elected Commission President in January 1988. His commission term expires in 1989.

Miller is a member of the Finance and Technology Committee of the National Association of Regulatory Utility Commissioners (NARUC) and chairman of the Telecommunications Committee of the Western Conference of Public Service Commissioners.

Miller is on the boards of the Whittenberger Foundation and the Thomas LeBow Fund. He has also been active in various committees of the Idaho State Bar and of the Caldwell, Idaho public schools.

Prior to his commission appointment, Miller was a partner in the law firm of Gigray, Miller, Downen, Weston & Pasley of Caldwell, Idaho. He has a juris doctorate from the University of Idaho College of Law and a bachelors degree in history from the University of Santa Clara.

A fourth-generation Idahoan, Miller has two daughters, McKinsey and Elizabeth.

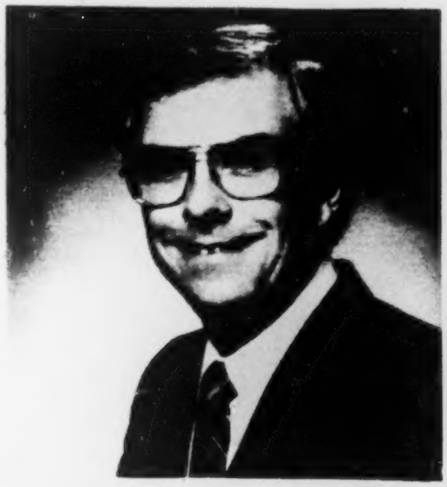
PERRY SWISHER is serving his second term on the commission. He was appointed in March 1979 and reappointed in February 1985, both times by Gov. John Evans. Swisher has served as commission president from November 1980 to April 1983 and from April 1985 to January 1988. He is a Democrat whose term expires in 1991.

Swisher is a member of both the Executive and Electricity committees of the National Association of Regulatory Utility Commissioners (NARUC). He has been a member of the Idaho Advisory Committee to the U.S. Commission on Civil Rights since 1963. He served on the Idaho Advisory Committee to the Bonneville Power Administration from 1967 to 1972.

Swisher served eight years in the Idaho House of Representatives (1952-58, 1975-76), four years in the Idaho Senate (1962-66), and four years on the Pocatello City Council (1969-73). In 1985 he was chosen as Idaho Statesman of the Year by the political science fraternity at Idaho State University.

Swisher has a bachelors degree in government from Idaho State University. He worked 35 years in the newspaper business, most recently as an editor of the *Lewiston (Idaho) Morning Tribune* (1976-79).

A fourth-generation Idahoan, Swisher, and his wife Nicky, have two sons, Larry and Eric.



RALPH NELSON is serving his first term on the commission. He was appointed in March 1987 by Gov. Cecil Andrus and began serving in May 1987. Nelson is a Republican whose term expires in 1993.

Nelson is a member of the Energy Conservation Committee of the National Association of Regulatory Utility Commissioners (NARUC).

Before his commission appointment Nelson, a certified public accountant, was in private practice in Coeur d'Alene, Idaho. He served in the U.S. Navy from 1966 to 1970.

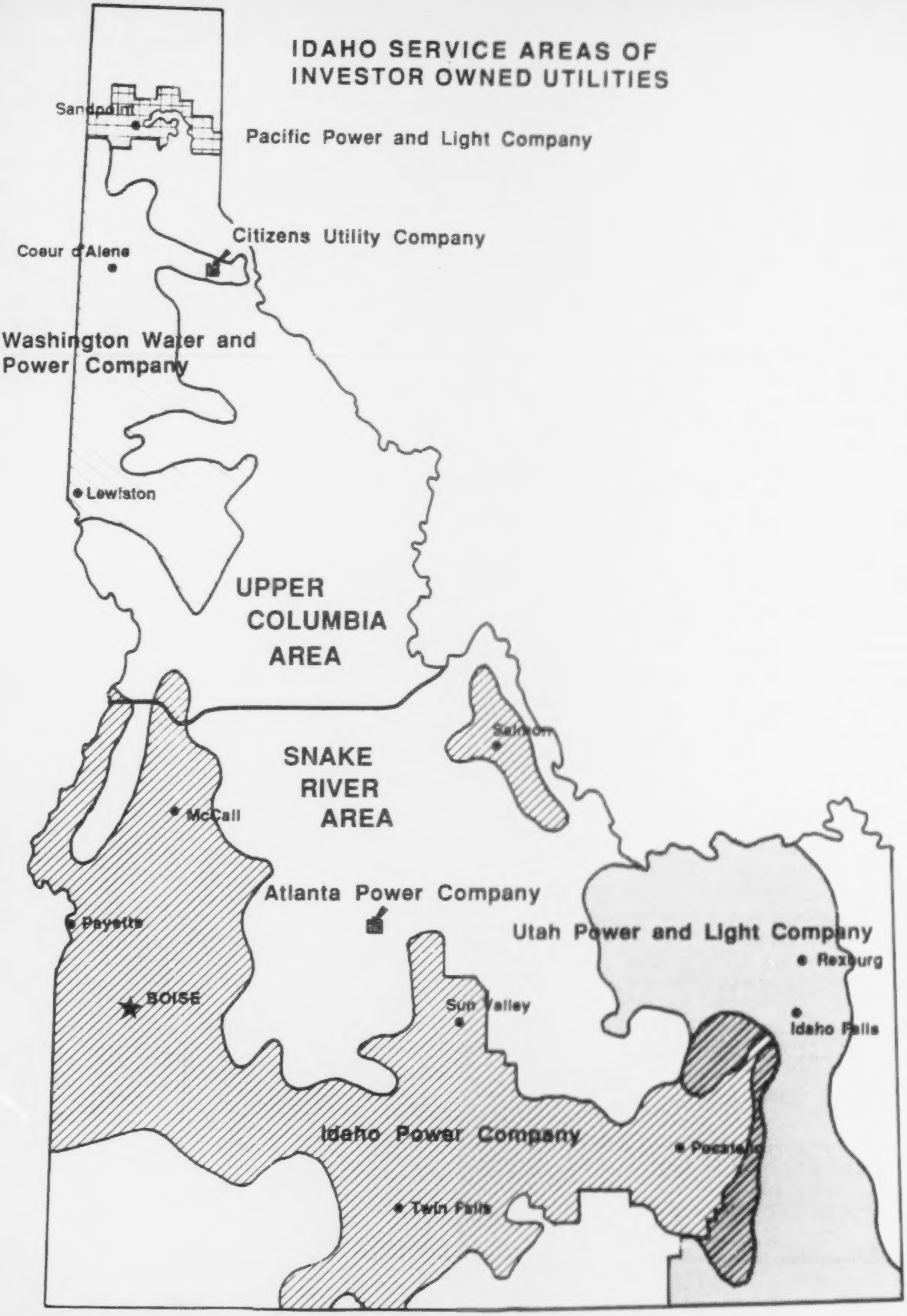
Nelson has a B.S. degree in business administration from the University of Idaho, where he has also done graduate study in law and business. He is a founder of the North Idaho College Foundation and served as its treasurer.

A third-generation Idahoan, Nelson has two daughters, Angela and Mia. His wife's name is Doris. His grandfather, Ralph S. Nelson, served five terms in the Idaho State Senate between 1916 and 1930.

IDAHO PUBLIC UTILITIES COMMISSION
FINANCIAL SUMMARY
FY-1987 & FY-1988

Description	FY-1987 Jul 86/Jun 87	FY-1988 Jul 87/Jun 88
Appropriation (Dedicated)	$2,504,700.00	$2,526,050.00
Appropriation (General Fund)	$133,600.00	$179,400.00
Prior Year Encumbrance	$6,535.00	$31,051.00
Supplemental Appropriation	$9,000.00	$0.00
Total Appropriation	$2,653,835.00	$2,736,501.00
Funds Brought Foreward	$310,278.00	$350,054.05
Taxes Collected	$270.30	$258.44
Motor Carrier Fees	$464,401.14	$502,333.16
Rail Fees	$43,760.50	$77,744.50
Utility Fees	$1,668,626.97	$1,985,981.47
Miscellaneous Receipts	$8,291.34	$6,980.32
Total Funds Available	$2,495,628.25	$2,923,351.94
Salaries and Wages	$1,158,497.69	$1,255,796.45
Personnel Benefits	$257,272.64	$275,511.81
Total Personnel Costs	$1,415,770.33	$1,531,308.26
Travel Expenses	$112,963.44	$116,487.01
Professional Services	$268,047.15	$279,964.20
Other Services	$74,812.33	$108,639.49
Communications	$95,501.65	$96,436.48
Materials and Supplies	$26,391.27	$46,927.02
Rental Expense	$166,076.56	$169,352.22
Repair and Maintenance	$52,573.08	$58,281.07
Misc. Operating Expenses	$2,748.87	$3,194.24
Total Operating Costs	$799,114.35	$879,281.73
Capital Outlay	$50,860.27	$58,132.78
TOTAL FUNDS EXPENDED	$2,265,744.95	$2,468,722.77
Unexpended Appropriation	$388,090.05	$267,778.23
Transferred to General Fund	$6,985.00	$4,082.00
Encumbered	$31,051.00	
Funds Carried Foreward	$350,054.05	$263,696.23

IDAHO SERVICE AREAS OF INVESTOR OWNED UTILITIES


Sandpoint
Pacific Power and Light Company
Citizens Utility Company
Coeur d'Alene
Washington Water and Power Company
Lewiston
UPPER COLUMBIA AREA
Salmon
SNAKE RIVER AREA
McCall
Atlanta Power Company
Payette
Utah Power and Light Company
Rexburg
BOISE
Sun Valley
Idaho Falls
Idaho Power Company
Pocatello
Twin Falls

ELECTRICAL POWER IN IDAHO

The Idaho Public Utilities Commission regulates six electric utilities that serve more than 80 percent of all Idaho customers. During 1987 the number of customers of these companies increased less than 1 per cent. At the same time average residential consumption dropped 4 percent.

Idaho also has 17 rural electric co-ops and 13 municipal power systems that are not under the IPUC's jurisdiction. While a few generate their own hydropower, they receive most of their energy from the federal Bonneville Power Administration.

Throughout the period covered by this report, the commission continued its reexamination of policies affecting utility purchases of independently produced power and of the utilities' energy conservation and weatherization programs.

SMALL POWER PURCHASES

Case No. U-1006-292, Order No. 21690

In January 1988, the commission determined that security provisions are needed in utility contracts with cogenerators and small power producers.

The federal Public Utilities Regulatory Policy Act (PURPA) requires utilities to buy the output of cogenerators and small power producers at avoided costs set by state regulators. The change in IPUC policy encourages contracts for periods shorter than 35 years.

"This departs from our prior policy," the commission said. "When PURPA was implemented, non-utility generation was expected to defer construction of coal-fired plants with life expectancies of up to 35 years. We now regulate no utility with such a base load plant on its planning horizon. We therefore must reassess the policy favoring 35 year power purchase contracts.

"The 35 year contract term is no longer a magic number," the commission said. "This adjustment favoring shorter contracts is also an attempt to compensate in part for the perceived and inherent risk of inaccuracy in long-term projections."

The commission also said that the risk of failure of an independent power project varies with its size and how it generates electricity.

"Generically hydro projects are assumed to be the lowest risk technology," the commission said. "Thermal projects are perceived riskier because the fuels or renewable resources used have greater market demand and are by nature volatile in both price and supply. A graduated increase in risk is associated with thermal projects utilizing solid fossil fuel.

"The high end of the risk spectrum under analysis is occupied by thermal projects dependent on gas and oil for firing," the commission said. "Small power projects using wood waste or biomass as a fuel source are viewed as medium to high risk projects.

"Unproven technologies such as geothermal would generally be classified as high risk," the commissin said. "We find the generic differences between hydro and thermal projects to be a reasonable basis for distinctions in treatment."

The commission ordered that independent power purchase contracts contain specific ways to guard against financial loss to the ility and its ratepayers. Cash escrow accounts, guaranteed lines of credit, and insurance would be acceptable security against economic walk-away.

The commission required all QF developers selling capacity and energy to Idaho electric utilities to either 1) establish and maintain a security escrow equal to 100 percent of potential overpayment due to levelization, 2) design, build, and maintain their facility to specified industry standards as well as provide the buying utility with second lien rights, or 3) provide partial compliance to 2) above along with a partial security escrow under 1) above. Clarifying Order No. 21800 was issued on March 8, 1988.

The chages in contract requirements are the result of an investigation the commission started in March 1987 to find ways of protecting utility ratepayers should an independent power project fail before the end of its contract period.

The need for security arises because the rates paid a cogenerator or small power producer are levelized over the period the project agrees to sell its output, usually 35 years. As a result, during the project's first 20 to 25 years, the utility pays more and, during the last 10 to 15 years, less for the power than it is worth.

Levelized rates provide front-end loading of payments to the independent power developer during the early years, when the project is retiring its debt. At the end of the contract period the calculated overpayment amount drops to zero.

In the event that a project fails before the end of the contract period, the initial overpayments place the utility and its ratepayers at risk. To overcome this risk the independent power producer is liable for any overpayments due to non-performance.

Previously, independent power purchase contracts recognized the overpayment liability but provided no means of securing funds should repayment be called for.

Although it was an Idaho Power Co. case, the four major electric utilities participated, and the results are being applied to all of them. Idaho Power and Washington Water Power have both completed contracts including the security conditions with minimal difficulty for developers or the utilities. Utah Power & Light Co. is negotiating security conditions with one developer.

AVOIDED COST RATES

Case No. U-1500-270, Order No. 21630

In December 1987, the commission set new, interim, avoided cost rates for the four major electric utilities serving Idaho. The maximum standard contract length was reduced to 20 years and the maximum established levelized avoided cost rates were reduced to less than 4 cents per kilowatt-hour for each of the utilities.

Public hearings on the avoided cost rate methodology were held in June 1988. A final order selecting a methodology and establishing schedules for setting final avoided cost rates and for reviewing the use of bidding for cogeneration and small power procurement was still pending when this report was prepared.

ELECTRICAL ENERGY CONSERVATION

Case No. U-1500-165, Order No. 22133

In September 1988, the commission proposed that the state's electric utilities give conservation measures the same consideration they give new generating plants in their plans to meet new demands for electricity.

"The energy surplus we are currently enjoying will not last forever," said Commission President Joe Miller. "An aggressive conservation program may enable our state to avoid or at least postpone the need for costly and environmentally objectionable generatiing facilities."

In response to rising utility costs and rates in the late 1970s early 1980s, the IPUC adopted conservation programs on a utility-by-utility basis. Weatherization programs and rate structures designed to encourage conservation were approved.

In January 1987, the commission started a new investigation of the direction and scope of the conservation and weatherization programs of Idaho's electric utilities. The slowing of growth in electrical demand and rates in the late 1980's provided an opportunity to examine conservation programs under stable conditions.

Public hearings were held in Boise on Oct. 14 and 15, 1987 to see if cost effective standards can be applied to electric utility conservation programs. The hearings focused on three basic questions:

What is the resource value of conservation?

How should conservation resources be procured?

How should conservation be treated for ratemaking?

Because of the volume of information and the broad range of interests involved, the commission issued its findings in the form of a proposed order and gave interested persons until Nov. 1 comment on the proposal.

The following are highlights of the commission's proposal:

Electric utilities "should give consideration to appropriate conservation and demand management measures equivalent to the consideration given generating resources when formulating resource plans." In evaluating the cost effectiveness of conservation measures, utilities should use the avoided cost methodology developed for pricing electricity from cogenerators and small power producers.

Every two years, each utility should submit a resource management report to the commission. The report should identify the utility's current and future demand for power, its sources of electricity, and its plan for meeting electrical demand for 20 years into the future.

Early next year, each utlity will be required to submit "a specific aggressive plan for identifying, evaluating, and procuring non-deferrable conservation resources in each customer class." Non-deferrable resources are those which would become "lost opportunities" by becoming too expensive or totally unavailable in the future.

"Examples are 6-inch walls in residential structures and high efficiency windows in commercial structures," the commisson said. "These features, if not included in the original construction, will be prohibitively expensive to add later."

The utilities should also identify potential conservation measures and maintain a minimum capability for procuring those measures. As part of such "capability building," utilities should develop plans for making conservation programs available to low-income customers.

In deciding how utilities should pay for conservation resources, the commission rejected what has become known as the "no losers test." Under the no losers test, a utility would be compensated for the revenue lost by not serving the electrical load eliminated by conservation measures.

Treatment of conservation for ratemaking purposes will be decided on a case-by-case basis as non-deferrable and capability building programs are developed and the commission has more experience to draw on.

"Clearly utilities should be compensated for procuring conservation resources," the commission said. "What is less clear is ether that compensation should be comparable to compensation for generation resources on a unit basis, a cost basis, an average bill basis, a societal benefit basis, or some other basis."

IDAHO POWER CO.

1220 West Idaho Street
P.O. Box 70
Boise, Idaho 83707
Phone: (208) 383-2200

The company at a glance

No. customers--	259,066
Rate base--	$1,146,427,00
Rate of return--	9.9 %
Residential rate--	4.5 cents/kwh

Idaho Power Co. is the state's largest electric utility. It serves about 260,000 customers throughout much of southern Idaho. In 1987, the Boise-based utility served about two-thirds of the state's electricity customers and supplied about three-fourths of the electrical energy sold in Idaho.

Of Idaho Power's 1987 revenue, 38 percent was from residential customers, 56 percent from commercial and industrial customers, and 6 percent from others. The company sold 30 percent of its energy to residential consumers, 69 percent to commercial and industrial consumers, and less than 1 percent to wholesale buyers.

Idaho Power generates most of its electricity at hydropower dams on the Snake River. It receives increasing amounts of power from its shares of coal-fired plants at Jim Bridger, Wyoming; Boardman, Oregon; and Valmy, Nevada. It purchases about 3 percent of its energy from independent power producers.

During 1987 the commission considered and decided how to spread the $2.9 million Idaho Power rate increase approved in 1986. In 1988 the commission considered and partially granted the company's request for a rate surcharge to offset power supply costs that increased due to the state's extended drought.

IDAHO POWER CO. CASE REVIEW

NEW RATES SET

Case No. U-1006-265A

In July 1987, the commission approved new rates for the customers of Idaho Power. Effective Aug. 1, 1987 the rates spread among the various customer classes the $2.9 million revenue increase approved by the commission in December 1986. That increase had been implemented in early 1987 by a temporary, across-the-board increase of nearly 1 percent.

Hearings on revenue allocation and rate design issues were held in June 1987. The resulting rates and rate shifts affected the company's various customer classes differently.

Rate Shifts

Residential, small business, and irrigation customers experienced rate increases while large industrial customers saw decreases. Shifts among the rates of different customer classes reflect the commission's effort to move toward rates based on the varied costs of serving each class.

About $2.65 (5 percent) was added to the bill of an average household using 1250 kilowatt-hours of electricity a month. Moving from 4.2 to 4.4 cents per kilowatt-hour, Idaho Power's residential rates remained among the lowest in the nation.

The rates of small business, area lighting, and irrigation customers were increased to bring them more in line with their actual cost-of-service. These increases were capped at 10 percent for small business and area lighting and at 5 percent for irrigation pumping customers.

Large commercial and industrial customers received an 11 percent decrease. A reduction in the value of the interruptibility of FMC Corp. resulted in a 2 percent increase in its special contract rate. At 1.9 cents per kilowatt-hour, Idaho Power's largest customer still paid the utility's lowest rate.

Minimum Bill

The commission increased from $6 to $7.50 the minimum monthly bill for residential and small business customers and turned down Idaho Power's proposal to eliminate the minimum charge and replace it with a $5 customer charge which includes no energy.

"In time of surplus, promoting additional energy usage through a general policy change is not in the long-term best interest of the company or its customers," the commission said. "Furthermore, the proposed customer charge is too high because it is based upon cost-of-service studies that allocate fixed plant costs [such as poles, wires, and transformers] into customer-related costs. Finally, there is customer relations value in the minimum. Customers expect to receive some electricity for their minimum charges, and it is difficult to explain to them why they are not entitled to any electricity for a customer charge."

Irrigation Policy Changes

The commission ordered changes in policies affecting Idaho Power irrigation customers. Pumpers with good credit no longer have to pay for their energy in advance. Irrigators with a history of slow payment have to pay one month in advance.

The commission rejected Idaho Power's proposal to expand the in- season period during which irrigators are charged a demand or capacity charge as well as a usage or energy charge. The commission accepted its staff's recommendation that each pumping customer's regular May and September meter-reading days be considered the beginning and end, respectively, of that customer's in-season irrigation period.

Commercial and Contract Rates

The commission found unreasonable Idaho Power's proposal to substantially increase demand or capacity charges and decrease energy charges for classes with demand charges.

"Demand charges should be only minimally increased, if increased at all," the commission said. "The company has not shown that there currently is wasteful consumption that will be reduced by an increase in demand charges and a decrease in energy charges. If anything, one would expect decreased energy charges resulting from the need to balance increased demand charges to encourage wasteful consumption."

The commission said that Idaho Power could file for approval of special contract terms if a shift in emphasis from energy charges to demand charges would attract a large customer. But such an agreement could not result in a discount from the company's uniform contract rates.

The commission accepted the company's proposal that customers who do not have 750 kilowatts of demand for at least three months a year be ineligible for the uniform contract rate but agreed with Industrial Customers of Idaho Power that the high-voltage credit for this class be increased. The credit was increased from 31 to 55 cents per kilowatt.

The commission said that Idaho Power's industrial and commercial uniform contract customers have different enough characteristics to warrant separate rate schedules and told the company to devise a new commercial customer class.

"We intend to create separate industrial and commercial schedules for these large customers in order to allow industrial customers the benefits of the generally higher load factors and expected relative insensitivity to seasonal variations in consumption for space-heating and space-cooling compared to total consumption," the commission said. "A schedule that evolves into an exclusively or largely industrial schedule focusing upon characteristics of industrial usage should be beneficial to economic development."

"BOW TO THE INEVITABLE " UPS IDAHO POWER RATES

Case No. U-1006-265

In a "bow to the inevitable," the commission in December 1987 approved an immediate $682,744 (.22 percent) increase in Idaho Power Co. rates. The increase, brought about by an Internal Revenue Service ruling, added about 12 cents to the monthly bill of the average Idaho Power residential customer.

The IRS agreed with Idaho Power's method of accelerated depreciation of its Valmy II plant for income taxes purposes. The federal agency failed to address a depreciation treatment more favorable to ratepayers which had been proposed by the PUC staff.

"The Internal Revenue Service, in a private letter ruling that can only be characterized as a breach of faith with those citizens of this state who are both taxpayers of the federal government and ratepayers of Idaho Power Co., simply avoided addressing the issues identified in the staff's memorandum accompanying Idaho Power's request for private letter ruling," the commission said in a November 1987 request for comment on the proposed increase.

"The parties, presumably recognizing the futility of relitigating an IRS private ruling that ignored the basic ratemaking concerns of this commission, filed no comments whatsoever," the commission said in approving the increase. "We, like the parties, bow to the inevitable, although not without restating our displeasure with the Internal Revenue Service's failure to address the critical issues placed before it."

TAX CUT OFFSETS INDEPENDENT POWER COST

Case Nos. U-1006-288, U-1500-164

In July 1987, the commission issued offsetting orders in two cases which could have affected Idaho Power's rates.

The commission adopted its staff's calculation that the company needed $5.6 million in additional annual revenue to cover its purchase of electricity from cogenerators and small power producers (CSPP). At the same time the commission accepted Idaho Power's suggestion that the $5.6 million increase be offset by an equal revenue reduction resulting from changes in federal income tax rates.

In January 1987, the commission had ordered the state's regulated utilities to calculate the effects of the federal Tax Reform Act of 1986 on their revenue and to adjust their rates accordingly. Idaho Power objected to treating the tax changes in isolation from other factors affecting rates. The commission rejected the argument that it consider the effect of poor streamflow conditions on the company's financial health in determining the revenue reduction due to tax changes and ruled that only tax-related offsets would be recognized.

However, the commission said there was a legititmate dispute about the revenue and tax effects of the company's ability to buy and sell power to other utilities. IPUC staff estimates of the revenue reduction resulting from the Tax Reform Act of 1986 ranged from $10.5 million to $6.9 million, using various assumptions about off-system sale prices.

In February 1987, Idaho Power requested a $5.2 million increase to cover its purchases of independently produced power. That request was increased to $5.7 million in July to reflect costs added since the case was filed.

The commission accepted the staff's $5.6 milion figure based on the company's actual, 7.7 percent short-term interest rate on deferred CSPP payments. The company used its authorized rate of return -- 9.9 percent. Some of the difference due to interest was absorbed by the staff's use of the current 8 percent state corporate income tax rate. The company used a 7.7 state tax rate.

In July 1987, Idaho Power said it would consider its request for additional revenues to cover independent power purchases to be exactly offset by the revenue reduction resulting from the new tax laws.

"The staff's report shows a wide range of results associated with various assumptions underlying streamflow normalization," the commission said in accepting the company's settlement offer. "Furthermore, the staff's report does not detail additional results, with lower reductions to revenue requirement, that would be associated with change in transmission access for sales to California.

"Were this proceeding to be fully litigated, it seems the company would attempt to prove a structural change in off-system markets for secondary sales associated with power supply modeling and streamflow normalization, putting even more dollars at issue than are shown by the staff's calculations," the commission said. "The advantages of certainty and swiftness counsels in favor of accepting a reasonable settlement offer by the company."

In accepting Idaho Power's compromise, the commission restated its refusal to consider a decline in earnings associated with poor streamflow conditions in the tax case.

"We emphasize what we are not accepting," the commission said. "To the extent that drought has affected the company's financial performance, that is not an appropriate factor to consider in this decision.

"Drought is not a structural change in power supply modeling and subsequent normalization," the commission said. "During the company's banner water years of 1982-1984, when its stock appreciated from 70-80 percent of book to 150-160 percent of book and split two-for-one, we did not call the company into our hearing room and attempt to moderate its earnings.

"The company's earnings increase in high water years with its rates set upon normalized data," the commission said. "Conversely, the company's earnings decline in low water years in the absence of its application for a surcharge and proof of extraordinary conditions that would justify a surcharge. It has not attempted to prove the case for a surcharge this year."

NEW LINE EXTENSION POLICY

Case No. U-1006-298

In June 1988, the commission approved new policies for paying the costs of extending Idaho Power lines to new customers or upgrading service to existing customers.

Under line extension policies, the total costs of extending or upgrading are calculated. Then, an allowance is deducted from the total, and the balance is paid by the person requesting the new service. The amount of the allowance varies depending on the type of customer being served.

Under the new rules, subdividers do not receive an up-front allowance but may receive an equivalent refund when a customer connects for service.

Under the new policy, each line extension to a residence with electric space and water heating receives a $2,000 allowance. All other residential extensions receive an allowance of $1,500. As in the past, the utility pays for terminal facilities such as transformers, conductors, and meters. Previously, all residential line extensions received a $1,000 allowance.

Idaho Power had proposed a three-tiered extension allowance for residential customers: $4,000 for homes with electric space and water heat, $2,500 for homes with electric hot water or electric space heat, and $1,750 for basic electric service only. The utility would not have paid terminal costs under its plan.

The commission rejected the tiered approach as "unrelated to the long-term cost of service."

Commercial, Irrigation, and Industrial Allowances

For commercial, irrigation, and industrial customers, the line extension and upgrade allowance is based on level of demand. Commercial customers receive $40 per kilowatt of load. Irrigation and industrial customers will receive $30 per kW. Again, as in the past, Idaho Power pays for terminal facilities in commercial and irrigation installations. Industrial terminal facilities are usually the customer's responsibility.

Under the old rules, commercial and industrial line extensions received the same allowance as residential -- $1,000. There were no industrial allowances under the old rules.

Idaho Power had proposed allowances of $80 per kW for commercial, $40 for irrigation, and $30 for industrial extension, with terminal costs paid by the customer.

The commission rejected the company's irrigation allowance because it would have provided less credit to small pumpers than the old policy. Under the approved rules, the allowance for irrigators installing less than 300 horsepower of pump capacity remains about the same while that for large volume pumpers increases.

The commission noted that the approved line extension policy "recognizes that permanent or full-time commercial load is a better load for Idaho Power than a seasonal irrigation load."

BEST AVAILABLE COPY

Promotionalism A Concern

Throughout its deliberations, the commission was concerned with the promotionalism of line extension allowances, especially in relation to the use of electricity for space heat.

"All line extension tariffs are to some degree promotional and load-building," the commission said in its final order. "We can only seek to temper the promotional aspect and assure the appropriate policy objectives are addressed. The promotion of conservation, the effective use of resources, and equitable rates to customers are still the objectives of the commission.

"Our decision in this case is materially affected by related matters under commission consideration," the commission said referring to its investigation of electric utility conservation programs. "We expressly note that the efficient use of electricity for space heat is an important factor in establishing customer allowances for electrical line extensions. . . . The commission may, at a later date, reassess line extension tariffs to address energy efficient construction standards in electrically heated homes."

IDACORP SUBSIDIARY OK'D

Case No. U-1006-299

The commission in December 1987 approved Idaho Power Co.'s application to exempt the company's Idacorp subsidiary from commission regulation.

In August, Idaho Power asked for a commission ruling that Idacorp's business be considered strictly non-utility -- with no overlap between the company's regulated utility business, its revenues, profits, or losses and Idacorp's unregulated business and its revenues, profits, or losses.

The commission approved the company's request on the condition that Idacorp's books and records be available for examination by the commission's staff "in connection with any future general rate or other proceeding implicating the relationship between Idaho Power and Idacorp."

The commission also retained jurisdiction to adjust Idaho Power's rates or revenue requirement "as necessary to separate Idaho Power's utility business from its investment in a non-utility subsidiary."

"For example, if Idacorp has the benefit of Idaho Power's facilities or if there are officers or employees of Idaho Power who are also officers or employees of Idacorp, for rate making purposes the commission may impute fair reimbursement by Idacorp to Idaho Power for Idacorp's use of Idaho Power's facilities or personnel," the commission said.

"If Idacorp's operations become large enough to significantly affect Idaho Power's cost of capital or result in significant changes in Idaho Power's own capital structure, the commission could make appropriate findings of what Idaho Power's cost of capital or capital structure would be in the absence of Idaho Power's investment in Idacorp and use those findings for rate making purposes," the commission said. "Should there be interaffiliate transactions between Idaho Power and Idacorp, the commission would retain full rights to make appropriate rate making adjustments.

"Finally, we note that Idacorp derives considerable intangible benefits by its close association with Idaho Power," the commission said. "Presumably, in issuing its own debt or otherwise going to the capital markets, Idacorp is in a different position from other corporations beginning operations.

"For the indefinite future, we therefore expect Idacorp's books will be available to our accounting staff in general rate proceedings so that we will have the means of assuring ourselves that Idacorp's operations are indeed independent of and not affecting Idaho Power's utility operations subject to our jurisdiction," the commission said.

NEW PAYMENT RULES FOR IRRIGATION CUSTOMERS

Case Nos. U-1006-265A, -305

As the result of decisions in two cases, new payment requirements for Idaho Power irrigation customers became effective in 1988.

Irrigators with good credit no longer have to prepay their power bills. Customers who pay their final bills on time but pay their monthly bills late during the pumping season have to pay only a monthly advance.

In the past, irrigators with unsatisfactory credit had to pay a seasonal advance based on the previous year's usage. Those with good credit had to pay a monthly advance based on rated pump capacity.

Now, when prepayment is required, the amount advanced is based on an irrigator's historical usage, modified by crop changes when necessary. Only new customers without a history of usage have to pay an advance based on the horsepower rating of their pumps.

In another change ordered by the commission, each customer's irrigation season will begin and end on that customer's regular meter-reading days for the May and September billing periods respectively. In the past, all pumpers were charged irrigation rates including both demand and usage charges beginning May 25 and ending Sept. 15. Idaho Power had proposed that the irrigation season be expanded to run from May 1 through Sept. 30.

A new interest rate of 8 percent became effective on funds advanced to Idaho Power by irrigators. Previously Idaho Power had to pay 12 percent interest on seasonal advances. According to the company, the 12 percent rate encouraged some pumpers to make advanced payment in order to obtain a more favorable interest rate than was available on certificates of deposit or other comparable savings accounts.

Irrigators still have to pay a 12 percent interest charge on bills that are not paid within 30 days. The commission rejected the company's request to charge interest on accounts when they become "past due" 15 days after the billing date.

While the company may charge interest only on 30-day balances, an irrigation account is still considered "past due" 15 days after the billing date. Anything paid after the 15-day past-due date appearing on the bill is considered a late payment and could subject the irrigator to having to pay a monthly advance the next year.

TRUS JOIST ELECTRICAL SERVICE AGREEMENT OK'D

Case No. IPC-E-88-1

In March 1988, the commission approved special electrical rates enabling Boise-based Trus Joist Corp. to employ more than 500 people in a window manufacturing plant at the once abandoned Kellwood Building in Twin Falls.

The commission approved an electrical service agreement between Idaho Power Co. and Norco Windows, a wholly-owned subsidiary of Trus Joist. Under the agreement, Norco receives a rate discount through 1992.

"We emphasize that this is the first such contract that Idaho Power has presented to us," the commission said. "We regard our approval of the contract and its terms as experiment, not precedent.

"The contract, which is expected to take advantage of Idaho Power's current surplus, is not expected to place burdens upon any of the other customers or customer classes," the commission said. The Norco rates pay not only Idaho Power's costs of supplying the energy consumed, but also cover some of the utility's fixed costs.

"This contract meets new load by providing service to a previously abandoned facility," the commission said. "The manufacturing concern that will purchase electricity under the contract will provide jobs that will in turn result in retention or addition of hundreds of residential customers and attendant activity in the commercial classes."

The commission also noted that the contract allows for adjustment of Norco's rates if Idaho Power's other rates are changed in a general rate case.

Norco's contract rates are based in part on the average of those paid by Idaho Power's other special contract customers, such as J.R. Simplot and FMC. Over the five years of the contract, Norco's discount will be phased out so that in 1993 Norco will begin paying the utility's industrial rates.

The following rates were agreed upon for the Norco contract:

Year	Rate
1988	1.96 cents/kWh
1989	2.09 cents/kWh
1990	2.22 cents/kWh
1991	2.35 cents/kWh
1992	2.47 cents/kWh

The commission noted that rates for interruptible power are included in the averages upon which Norco's rates are based. Rates to customers whose power can be interrupted are lower than those for firm energy such as Norco is buying.

"We will not upset this previously negotiated contract because of its use of the rates of an interruptible customer rather than firm customers in the formula deriving rates under this contract, but would caution against continued use of this formula without further justification," the commission said.

DROUGHT SURCHARGE OK'D

Case No. IPC-E-88-2

In May 1988, the commission approved a one-year rate surcharge to help Idaho Power Co. deal with the effects of two unusually dry years.

The effect of the surcharge was to increase the company's rates by 1.7 percent beginning June 1, 1988. The surcharge added 93 cents to the monthly bill of an average residential customer using 1,200 kilowatt-hours of electricity.

The surcharge added $9.6 million to the company's annual revenue -- a 3 percent increase. The increase was offset by $4.2 million -- the amount of a surcharge for cogeneration and small power purchases which expired April 15 but was still being collected in rates pending outcome of the surcharge case.

The commission rejected a suggestion by its staff that rates be increased permanently to account for a decline in the company's sales of surplus power to other utilities.

The $9.6 million is less than one-fourth of the $41.3 million (13.1 percent) surcharge the company requested.

Surcharge Explained

"A surcharge is justified when actual conditions vary from rate making assumptions to the extent that it can be fairly said that actual conditions are beyond the range of expectations used in rate making assumptions," the commission said. "Although the question is a close one, we find that Idaho Power has established the existence of an unusual condition."

Taken alone, 1988 streamflows were not outside the realm of conditions contemplated when Idaho Power's rates were set in 1986, the commission said. Accordingly, focusing narrowly on 1988 water conditions would not justify a rate increase.

"However, the two consecutive years of streamflow conditions for 1987-1988 fall in the gray area that can be characterized as similar to conditions during the drought years 1929-1941 that were excluded from consideration in [Idaho Power's last rate case] as readily as they can be characterized as similar to the three consecutive drought years 1966-1968 that were included in [that case]," the commission said. "Further, secondary market sales have significantly dropped since [the company's current rates were set in 1986].

"All these factors taken together show a significant change in the company's power supply environment removing it from the assumptions underlying [current rates]," the commission said.

In 1986, the commission adopted the 20-years 1966-1985 as a better indicator of water conditions that could be expected in the near future than a period beginning with the dust bowl years 1929-41 favored by Idaho Power. In asking for a $41.3 million, one-year surcharge, the company wanted to recover the difference between "normal" power supply costs based on the 20 years and the higher costs expected because of the 1988 drought.

Interests Balanced

"In 1988 Idaho Power's actual earnings will be substantially below those authorized, primarily because Idaho Power's net power supply costs will be substantially above those calculated under average conditions in [the last rate case]," the commission said. "Given current streamflow projections, it is most likely that Idaho Power will be unable to meet its dividend for 1988 from current earnings, but will instead be required to incur short-term borrowing to obtain the cash to meet its dividend.

"Nevertheless, the equitable balancing of ratepayer and shareholder interests does not require rates to be raised to fund any particular level of earnings related to the company's dividend policies," the commission said. "The commission does not ordinarily review the company's dividend policies in general rate proceedings because that is considered a matter for categorical management discretion.

"Thus, the company, by having maintained dividend policies calling for a substantial payout ratio in relation to its normalized earning potential, cannot bootstrap itself into an entitlement to earn its dividend in the drought year 1988," the commission said. "Instead, IPCo and its management are responsible for the natural consequences of its dividend policies and payout ratios in poor water conditions compared to those of normalized conditions.

"Neither does the public interest require the company be protected from going to the short-term borrowing market," the commission said. "In past good water years the company has converted substantial amounts of its long-term debt, short-term borrowings, and preferred stock to common equity. It is neither unfair, unjust nor unreasonable under these power supply conditions to see some conversion in the other direction.

"There is perhaps no more evident risk to an investor or manager of a predominantly hydroelectric utility than the risk of varying streamflows," the commission said. "This business risk is not caused by any action of this commission or any other governmental agency, with the possible partial exception of those that manage the nation's waterways.

"In any event, the seasonal risks associated with various streamflow conditions and drought are not risks from which this commission insulates the company," the commission said. "Nevertheless, in the spring of 1988 there are substantial reasons for cushioning the company from the effects of drought and secondary markets even though it is inappropriate to obviate that risk."

"There are many shareholder and ratepayer interests to be balanced," the commission said. "We must balance the fairness of allowing surcharges during poor water conditions when historically the company has never proposed and we have never imposed surcredits during good."

Surcharge Calculation

To calculate the amount of the surcharge, the commission used the standard deviation, an accepted statistical measure. The standard deviation indicates how much any single number in a set of numbers is expected to differ from the average or mean of the set.

The standard deviation was used to measure how far from 1966-1985 "normal" water conditions any single year's streamflows could be expected to vary. Power supply conditions that could be expected with this standard deviation were then compared with those predicted for the unusually low water conditions of 1988. The resulting difference, $9.6 million, is the amount of additional power supply costs Idaho Power is likely to experience in 1988 which would not be expected under the normal fluctuations of power supply expenses from year to year.

The commission also indicated that it would open a case to consider a "balancing account" or some other mechanism "to track Idaho Power's net power supply costs over the years to provide a means of smoothing out the company's overcollections and undercollections of net power supply costs vs. actual revenues and expenses."

Intervenor Funding

The commission awarded $14,720 to the Idaho Irrigation Pumpers Association for its contribution to the decision in the surcharge case.

"The Pumpers' presentation materially contributed to this commission's decision not to grant Idaho Power's surcharge under the theory requested by the company," the commission said.

The Pumpers asked for $14,721.44 to cover legal and expert witness expenses that the commission found to be reasonable and to constitute a significant hardship for the association.

Under Idaho's intervenor funding law, a utility with annual revenues of over $1.5 million may be ordered to pay up to $20,000 of the costs of parties intervening in a case before the commission.

To receive funding an intervenor's participation must materially contribute to a commission decision with recommendations that differ from those of the commission staff.

Pumpers' witness Tony Yankel opposed both the surcharge sought by Idaho Power and the permanent rate increase proposed by the commission staff.

IDAHO POWER CO. CASE LISTING

Case no. U-1006-		Synopsis	Order No.	Date
249	1-28-85	Bonneville Pacific Dietrich Drop complaint dismissed	21425	8-19-87
261	5-07-85	Charles D. Howard Rock Creek #2 complaint dismissed	21424	8-19-87
265	5-15-85	General rate case--tax treatment of Valmy II	21651	12-15-87
265A		General rate case--revenue allocation and rate design	21365	7-29-87

IDAHO POWER CO. CASE LISTING

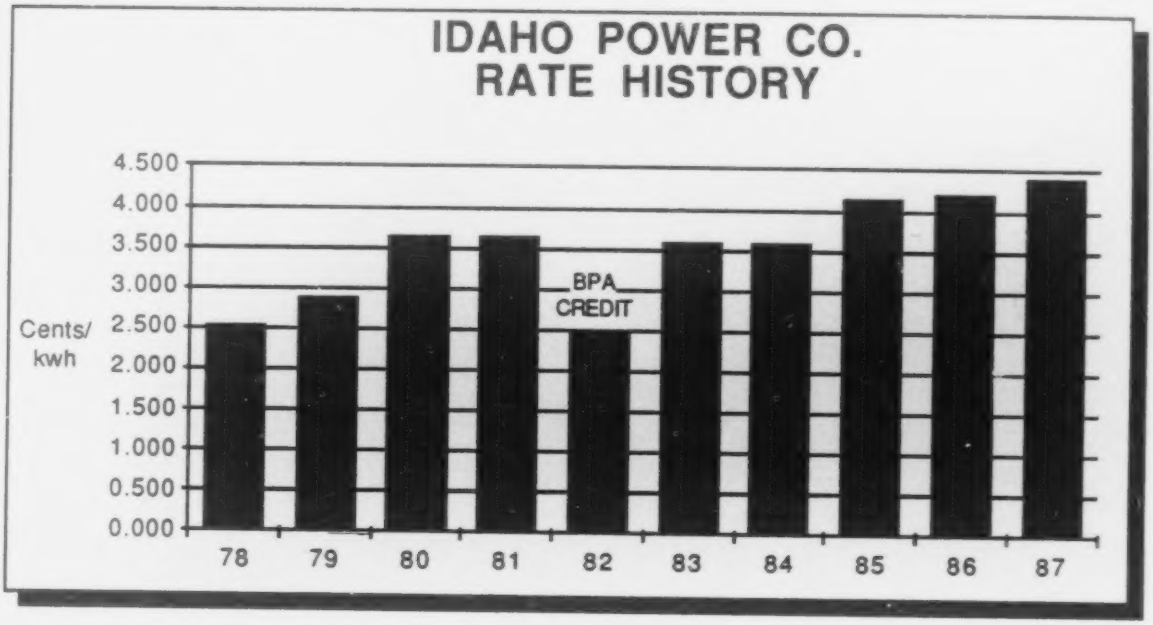
Case no. U-1006-		Synopsis	Order No.	Date
288	2-03-87	CSPP tracker rate increase request	21461	9-16-87
289	2-12-87	Harold C. Miles complaint--Swan Falls agreement	21960	6-16-88
291	3-12-87	Cook Electric complaint dismissed	21343	7-17-87
292	3-17-87	Investigation of security in CSPP agreements	21690	1-11-88
293		Interwest Hydro (Barber Dam) complaint dismissed	21422	8-19-87
294	7-10-87	Cook Electric firm energy sales agreement approved	21621	11-25-87
295	7-13-87	Interwest Hydro firm energy sales agreement approved	21359	7-24-87
296	7-13-87	Bonneville Pacific firm energy sales agreement approved	21360	7-24-87
297	7-13-87	Bonneville Pacific firm energy sales agreement approved	21361	7-24-87
298	8-27-87	New line extension Schedule No. 71. approved	21934	5-31-88
299	8-26-87	IdaCorp subsidiary approved	21667	12-18-87
300	3-04-88	Bypass Limited complaint dismissed without prejudice	21816	3-23-88
301	3-04-88	Bypass Limited complaint dismissed without prejudice	21816	3-23-88
302	3-04-88	Bypass Limited complaint dismissed without prejudice	21816	3-23-88
303	9-15-87	Authorizing $150,000,000 of short-term borrowings	21471	9-21-87
304	9-17-87	Amalgamated Sugar Schedule 19 complaint	21683	12-30-87
305	11-10-87	Interest payments and charges on irrigation accounts	21679	12-30-87
306	11-17-87	A. W. Brown non-firm energy purchase agreement	21635	12-07-87
IPC-E-88-				
1	2-19-88	Trus Joist electric service agreement accepted for filing	21817	3-22-88
2	3-21-88	Temporary surcharge authorized beginning 6/1/88	21932	5-27-88

IDAHO POWER CO.

Tariff Changes		Straight Residential (500 Kwh/Mo.)	Residential W/Water Heater (1000 Kwh/Mo.)	Residential All-Electric (1000 Kwh/Mo. 6 Mos.) (3000 Kwh/Mo. 6 Mos.)
		Average Monthly Billing ($)		
2-24-78		12.68	21.85	40.20
3-23-79		14.49	24.97	45.94
3-28-80		18.25	31.46	57.88
10-1-81		12.00	26.00	60.85
11-2-81		13.80	29.90	70.40
12-2-81	BPA Credit	11.57	25.45	61.50
2-9-82		12.53	27.58	65.91
8-25-82		17.23	34.45	68.91
2-8-83		17.93	35.86	71.72
4-8-85		20.73	41.47	82.92
10-1-85		20.91	41.82	83.63
7-15-86		20.97	41.95	83.89
12-16-86		21.10	42.21	84.41
8-1-87		21.92	43.85	87.71
6-1-88		22.36	44.71	89.42

IDAHO POWER CO.

Tariff Changes	Straight Residential (500 Kwh/Mo.)	Residential W/Water Heater (1000 Kwh/Mo.)	Residential All-Electric (1000 Kwh/Mo. 6 Mos.) (3000 Kwh/Mo. 6 Mos.)
	Relative Cost per Kwh (cents)		
2-24-78	2.536	2.185	2.010
3-23-79	2.898	2.497	2.297
3-28-80	3.650	3.146	2.894
10-1-81	2.400	2.600	3.043
11-2-81	2.760	2.990	3.520
12-2-81	2.314	2.545	3.075
2-9-82	2.506	2.758	3.296
8-25-82	3.445	3.445	3.445
2-8-83	3.586	3.586	3.586
4-8-85	4.147	4.147	4.147
10-1-85	4.181	4.181	4.181
7-15-86	4.195	4.195	4.195
12-16-86	4.221	4.221	4.221
8-1-87	4.385	4.385	4.385
6-1-88	4.471	4.471	4.471


IDAHO POWER CO.
RATE HISTORY
Cents/
kwh
4.500
4.000
3.500
3.000
2.500
2.000
1.500
1.000
0.500
0.000
BPA
CREDIT
78
79
80
81
82
83
84
85
86
87

WASHINGTON WATER POWER CO.

E. 1411 Mission Ave. (99202)
P.O. Box 3727
Spokane, Washington 99220
(509) 489-0500

501 East Lakeside
Coeur d'Alene, Idaho 83814
(208) 664-0421

411 South Main
Moscow, Idaho 83843
(208) 882-7551

803 Main
Lewiston, Idaho 83501
(208) 743-5541

The company at a glance:

	electric	gas
No. customers --	68,715	19,620
Rate base --	$289,226,000	$17,045,000
Rate of return --	10.95%	12.07%
Residential rate --	4.1811 cents/kwh 1st 600 kwh 4.949 cents/kwh next 700 kwh 5.591 cents/kwh for remainder	$3.00 per mo. +$0.41562/therm

Washington Water Power Co. serves some 69,000 electricity customers and about 19,000 natural gas customers in northern Idaho. In 1987 the Spokane, Washington based utility served about 18 percent of Idaho's electricity customers and supplied about 14.5 percent of electrical energy sold in Idaho. The company serves 16 percent of the state's natural gas customers, to whom it supplies 17 percent of the natural gas sold in Idaho. Water Power also serves an extensive area in eastern Washington.

Of Water Power's 1987 revenue from its Idaho electrical operations. 38 percent was from residential customers, 48 percent form commercial and industrial customers, and 14 percent from others. The company sold 39 percent of its electrical energy to residential customers, 55 percent to commercial and industrial customers, and 6 percent to wholesale buyers.

WWP generates most of its electricity at hydropower dams located in the Washington, Idaho, and Montana. The company also receives power from thermal plants located in Washington and Montana. A small amount of energy is also purchased from independent power producers in Idaho and Washington.

Of WWP's 1987 Idaho natural gas revenue, 37 percent was from residential customers and 63 percent from commercial and industrial customers. Thirty-two percent of the company's Idaho gas sales were to residential users and 68 percent to commercial and industrial users. WWP buys the gas it distributes from Northwest Pipeline Corp. of Salt Lake City. About half of the gas comes from Canadian reserves.

WASHINGTON WATER POWER CASE REVIEW

WNP-3 SETTLEMENT OK'D

Case No. U-1008-204, Order No. 22042

In July 1988, the commission approved an agreement allowing Washington Water Power Co. to recover more than half of its investment in Washington Nuclear Plant No. 3 (WNP-3) without a rate increase for its Idaho customers.

Under a settlement agreement between WWP and the commission staff reached in April and adopted by the commission, the utility will recover $35.9 million (56.6 percent) of the Idaho share of its investment in WNP-3. The recovery will be funded through increased profits on power sales to other utilities and through cutbacks and restructuring of WWP's own management and operations, but not through increased rates.

Water Power will write off the remaining $27.5 million (43.4 percent) of the investment and has agreed to a five-year rate moderation program. Except for passing through adjustments in taxes and power costs, the company will not increase its rates for three years and will cap increases at 3 and 4 percent, respectively, in the fourth and fifth years. The company also agreed not to ask to recover the 10 percent share of its Idaho investment in its Kettle Falls wood-burning power plant, which the commission has not allowed in Idaho rates.

Approval of the agreement could avoid "a lose-lose situation on appeal," the commission said. The commission's 1986 ruling, which allowed WWP to recover only 60 percent ($12.6 million) of its pre-1982 investment in WNP-3, was appealed to the Idaho Supreme Court. Following commission approval of the settlement, the court dismissed the appeal.

PUC staff witness Stephanie Miller, director of the commission's Utilities Division, testified at a June 29 public hearing in Moscow on the likely consequences of awaiting the court's ruling rather than settling the case. Should the commission's 1986 treatment of the WNP-3 investment be upheld, the substantial write-off could hurt the company's financial position without lowering rates, Miller said. On the other hand, should WWP prevail and then be entitled to full recovery of its investment in the mothballed plant, Miller estimated that a 10 percent rate increase might be required.

In approving the settlement agreement, the commission provided for a system of monitoring the revenue offsets that will enable the utility to recover its WNP-3 investment without affecting rates. WWP will be required to report to the commission annually through the year 2000. Included in the report will be the company's rate of return, noting whether it exceeds or falls short of its authorized level; changes in Water Power's settlement agreement with the Bonneville Power Administration; the status of WWP's cost-cutting corporate evaluation program; significant increases in its Idaho electrical load; and the contribution to Idaho revenues of off-system sales to Puget Sound Power & Light and other utilities.

"Water Power's agreement with Idaho Fair Share appears to be self-executing at this point," the commission said. "Accordingly, we do not pass on the Water Power-IFS settlement as such, although we note its terms addressing regulatory matters are consistent with the public interest and implicate this commission's regulatory authority."

The commission required the company to report on conservation and weatherization activities and on rate making measures included in the agreement with the consumer group.

Fair Share intervened in the WNP-3 case and also supported the commission's 1986 decision on its appeal to the Idaho Supreme Court. Fair Share agreed to support the WWP-PUC staff settlement in return for additional commitments from the utility: During the five-year rate moderation period rate increases for power costs will be capped at 5 percent for the first three years and 4 percent for the last two years. The utility also affirmed its commitment to conservation standards and low-income weatherization. Water Power agreed to have its shareholders pick up $90,000 of Fair Share's legal and consultant expenses for WNP-3 proceedings before the PUC and the Idaho Supreme Court.

Commission President Joe Miller dissented from the commission majority on the WNP-3 settlement.

"The majority concludes that cost savings will be sufficient to offset the rate increase that would otherwise result from the increased recovery of the company's WPPSS-3 investment, and that the settlement will be 'rate-neutral' in the sense that the increased recovery will not appear in rates," Miller said. "This, of course, is not a finding of a presently existing fact, but is a prediction of events which may or may not occur over the 12-year amortization period.

"Even if it were proper to base findings regarding reasonableness of rates upon events which have not yet occurred, the

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facts of the case lead me to question whether the promise of rate neutrality can be achieved," Miller said. "Under the settlement the increased WPPSS investment is included in rate base and amortized over a 12-year period.

"This recovery is thus fixed, immutable and unchangeable. By contrast, the claimed offsetting savings stand on different ground. They are not in rate base and will appear in the rate making accounts of the company only indirectly, if at all. The identification and quantification of these savings will require detailed and continuous monitoring over a 12-year period. This will be an extremely difficult task.

"In short, the settlement guarantees the company an increased recovery of its investment," Miller said. "The guarantee is iron clad because the recovery is in the company's rate base and thus not dependent on future occurrences. By contrast the premise given to ratepayers of rate neutrality is not guaranteed and depends on the occurrence of adequate monitoring over a long period of time."

ACCOUNTING CHANGE OK'D

Case No. U-1008-270, ORDER NO. 21416

In August 1987, the commission approved Washington Water Power Co.'s request to change the way it accounts for $16 million of investment tax credits. The commission's approval was dependent upon a favorable ruling on the accounting change by the Internal Revenue Service.

The accounting change allowed the company over three years to transfer accumulated deferred investment tax credits which are usually earmarked for distribution to ratepayers. Up to $16 million of the credits would be moved to an account permitting distribution to WWP shareholders as follows:

Year	Est'd ITC to be Amortized to Non-Operating Income
1987	$ 8 million
1988	4 million
1989	4 million
Total	$16 million

The actual amount and rate by which the company can amortize the credits to non-operating income is set within financial limits. The company's dividend pay-out ratio may not fall below 92.2 percent. Its earnings per share may not exceed $2.70 per share.

The commission also ordered the company to continue through 1990 its current amortization to operating income of $509,289 per year.

Water Power officials said that the company's financial condition had declined significantly and was projected to decline further without an additional source of revenue. They said the accounting change would improve WWP's financial viability by permitting it to earn enough to maintain its bond and preferred stock ratings and by allowing it to finance and refinance at reasonable costs.

Company officials described the accounting change as an alternative to seeking a rate increase to raise revenue. If the accounting procedure is approved, "there will be no change in current electric rates through 1989 except for the possibility of passing on increases in expenses arising from power supply operations and final resolution of the company's investment in WNP-3," WWP chairman, president, and chief executive officer Paul Redmond said.

"We believe that the financial indicators of the company justify non-traditional regulatory action to facilitate the company's attempts to remain financially viable," the commission said. "Staff has estimated the present value cost to Idaho ratepayers of the reduced tax expense associated with the amortization of ADITC to non-operating income to be $4,831,966 using a discount rate of 10.95%. We find this figure to be a reasonable estimate of the maximum cost to ratepayers, a cost that is offset by the benefits received."

The commission said that ratepayer benefits of rate stabilization, interest and financing savings, and opportunities to promote economic development would exceed the $4.8 million cost of the accounting change.

The commission agreed with company estimates that a downgrade in WWP's bond rating would increase its financing costs about $2.8 million. At the same time, the commission noted potential conflicts of interest in agencies that rate utility finances.

"Rating agencies are not automatically impartial assessors and raters of a company's performance history and potential," the commission said. "The agencies can have a vested interest in generating new activity that raises the vulnerability of companies with such a recent history as Water Power in earnings/share and pay-out ratio to merger or takeover.

"The pressure that the raters exert on regulators with respect to a company's return on equity, growth in earnings and dividend pay-out ratio is not only inappropriate but can be self-serving," the commission said. "To the extent that rating agencies engage in such activities as selling securities, brokering mergers, opposing mergers, etc., this Commission no longer feels constrained to genuflect to their pontifications."

RATING AGENCY COMMENTS CLARIFIED

In September 1987, the commission issued an order clarifying its use of the terms "rating agencies" and "raters" in approving the Water Power accounting change.

"The Securities and Exchange Commission recognizes as 'rating agencies' those entities that observe procedural and ethical standards in the evaluation of securities," the commission said. "Firms qualifying for that status do not sel or broker securities and do not take part in merger and takeover activities. Therefore, members of the financial analysis community reflexively use rating agency in the SEC context.

"The term, however, is generic," the commission said. "It is not copyrighted, like Realtor. For example, some media analysts are described by those they rate as rating agencies. And regulatory commission members describe those who rate and rank regulatory jurisdictions as rating agencies.

"In the Order No. 21416 we were scornfull of those entities that, in evaluating regulatory decisions, may have a vested interest in securities activity quite at odds with the best interests of existing equity shareholders or ratepayers or both," the commission said. "But those comments were imprecise at best when retailed in the financial community. The order referred in broad terms to 'raters,' 'rating agencies,' and 'agencies.'

"We regret that we employed the vernacular in addressing a community with a vocabulary of its own," the commissin said. "Fortunately, we lack the power to regulate language, but we issue this clarification to take special note the raters identified as rating agencies by the SEC do not deal in securities but only in evaluation."

GAS COST ADJUSTMENTS RESULT IN RATE HIKE

Case Nos. U-1008-283, -284, Order Nos. 21488, 21489

In October 1987, the commission approved the pass-through to customers of the net effect of several changes in Water Power's costs for natural gas. The change resulted in an increase of about $0.50 per month in the average household's gas bill.

The "tracker" represented a $548,910 (2.61 percent) increase in the company's annual natural gas revenue in Idaho but did not affect its net income. The cost of a therm of gas rose 0.688 cents.

RATE CUT OFFSET BY HIKE IN POWER SUPPLY COSTS

Case No. U-1500-164, Order NO. 21595

In November 1987, to maintain stable electrical rates, the commission accepted Washington Water Power Co.'s offer to offset $3.2 million in added power supply costs against a $1.3 million rate reduction ordered the previous month.

"We are inclined to accept this offer for the certainty it brings to rates and to avoid contentious litigation," the commission said. "We believe ratepayers are poorly served by rates that yo-yo, i.e., go up and down or down and up in short periods of time. That is one of the reasons that we believe the settlement is reasonable."

WWP in early November asked the commission to reconsider an October order reducing the company's rates by 1.63 percent. The reduction would have passed on to customers a decrease in the company's federal income taxes resulting from the Tax Reform Act of 1986.

Water Power said that proper normalization of its power supply costs taking into account recent changes in its power supply makeup would result in an additional revenue requirement of $3,224,000. Power supply costs include costs of hydro and thermal generation and both costs and revenues of power exchanges with other utilities.

According to the commission, the settlement resulted in greater benefit to ratepayers than the outcome of possible litigation of the treatment of power supply costs.

$8 FIELD COLLECTION CHARGE OK'D

Case Nos. U-1008-288,-289, Order Nos. 21940, 21939

In June 1980, the commission approved an $8 charge when Washington Water Power Co. has to send an employee out to collect a delinquent payment from a customer. Customers will receive one free disconnection visit in a 12-month period.

The commission rejected the company's request to charge the fee when a customer's gas or electric service is actually disconnected during the visit or for delivery of an additional notice of disconnection.

"Customers under present tariff are charged $16 during regular office hours and $32 at all other times for reconnection," the commission said. "If customers are disconnected for non-payment, they must also pay the delinquent balance and possibly a deposit prior to reconnection. Adding an $8 disconnections charge to the list of required payments would be too burdensome.

"According to the company, 'delivery of an additional written notice of disconnection' refers to any notices left above and beyond those required by the IPUC consumer rules," the commission said. "The company reports that customers tell the technician that they have just paid the bill in order to avoid being disconnected. In many instances a subsequent record check will reveal that the customer did not pay the bill. This necessitates an additional service visit to disconnect.

"Essentially, the company wants to charge people for leaving a notice in circumstances where it is reluctant to disconnect service," the commission said. "The company is to be commended for giving customers every opportunity to make payment before actually disconnecting their service. However, charging a fee for giving those customers one last chance is not justified.

"The company also wants to assess the $8 charge when a customer pays the delinquent amount owing during a disconnection visit," the commission said. "According to the company, many customers have fallen into the habit of ignoring notices and not paying their bills until the last possible moment. We agree with the company that customers should be discouraged from following this practice.

"The provision of one free visit every 12 months should be adequate to protect those who don't make a habit of paying at the last minute," the commission said. "On the other hand, the charge may deter those who find it more convenient or expedient to pay the representative knocking on their door rather than simply paying the bill as it becomes due. We find the proposed charge in this instance to be reasonable."

WASHINGTON WATER POWER CASE LISTING
(Electric and Gas)

Case no. U-1008-		Synopsis	Order No.	Date
204	11-07-83	WNP-3 investment recovery	21885	4-25-88
206	12-06-83	Rates for cable companies attaching to utility poles		
207	12-06-83	Preferred stock issuance of up to $30,000,000		
234	4-15-85	General rate case--Sunshine Mining Co. rate approved	21639	12-09-87
270	11-26-86	Accounting order (ADITC) approved	21579	11-12-87
276	7-01-87	Natural gas rate increase request withdrawn	21628	12-01-87
280		Natural gas rate tracker case closed	21997	6-28-88
281	7-27-87	$70,000,000 unsecured promissory notes issuance	21382	8-20-87
282	8-03-87	Consolidating existing certificates		
283	9-28-87	Natural gas rate tracker decrease	21488	9-30-87
284	8-31-87	Natural gas rate tracker increase	21483	9-30-87
286	10-09-87	$60,000,000 unsecured promissory note issuance	21526	11-10-87
287	10-28-87	Early retirement plan accounting approved	21674	12-28-87
288	11-12-87	$8.00 "field collection charge" approved	21940	6-17-88
289	11-12-87	$8.00 "field collection charge" approved	21939	6-17-88
290	12-28-87	Deferral of increased natural gas rates		
WWP-88-				
1	1-11-88	Tariff revisions	21815	3-23-88
2	1-27-88	Budget billing plan revisions	21814	3-23-88
3, 4	2-29-88	Natural gas rate cases closed	21846,7	3-31-88

WASHINGTON WATER POWER CO.
ELECTRICITY

Tariff Changes	Straight Residential (500 Kwh/Mo.)	Residential W/Water Heater (1000 Kwh/Mo.)	Residential All-Electric (1000 Kwh/Mo. 6 Mos.) (3000 Kwh/Mo. 6 Mos.)
	Average Monthly Billing ($)		
4-15-78	9.34	16.07	29.54
10-17-79	9.98	17.15	33.32
8-11-80	10.30	19.00	40.06
12-1-80	10.60	19.68	41.63
10-23-81	10.22	2.36	52.47
11-13-81 BPA Credit	9.00	20.35	48.45
10-1-82	10.14	22.67	52.30
11-1-82	10.34	23.06	53.23
1-31-83	10.38	23.14	53.39
2-9-84	14.45	31.28	70.44
3-30-84	14.58	31.55	70.97
11-19-84	16.15	34.70	76.51
2-1-85	17.84	38.26	84.33
2-26-85	18.03	38.70	85.31
4-5-85	18.10	38.84	85.58
4-7-86	20.03	42.98	94.69
9-15-86	20.91	44.87	98.85

WASHINGTON WATER POWER CO.
ELECTRICITY

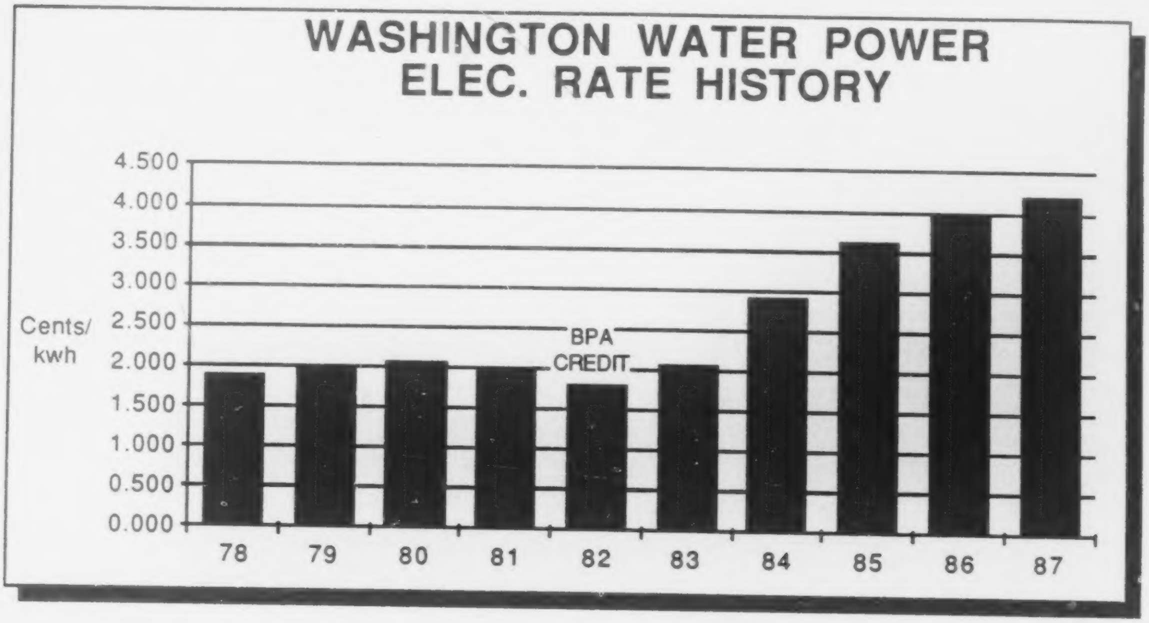
Tariff Changes	Straight Residential (500 Kwh/Mo.)	Residential W/Water Heater (1000 Kwh/Mo.)	Residential All-Electric (1000 Kwh/Mo. 6 Mos.) (3000 Kwh/Mo. 6 Mos.)
		Relative Cost per Kwh (cents)	
4-15-78	1.868	1.607	1.477
10-17-79	1.996	1.715	1.666
8-11-80	2.060	1.900	2.003
12-1-80	2.120	1.968	2.082
10-23-81	2.000	2.236	2.624
11-13-81	1.800	2.035	2.423
10-1-82	2.028	2.267	2.615
11-1-82	2.067	2.306	2.662
1-31-83	2.075	2.314	2.670
2-9-84	2.889	3.128	3.522
3-30-84	2.915	3.155	3.549
11-19-84	3.230	3.470	3.825
2-1-85	3.568	3.826	4.217
2-26-85	3.605	3.870	4.266
4-5-85	3.620	3.884	4.279
4-7-86	4.005	4.298	4.735
9-15-86	4.181	4.487	4.943

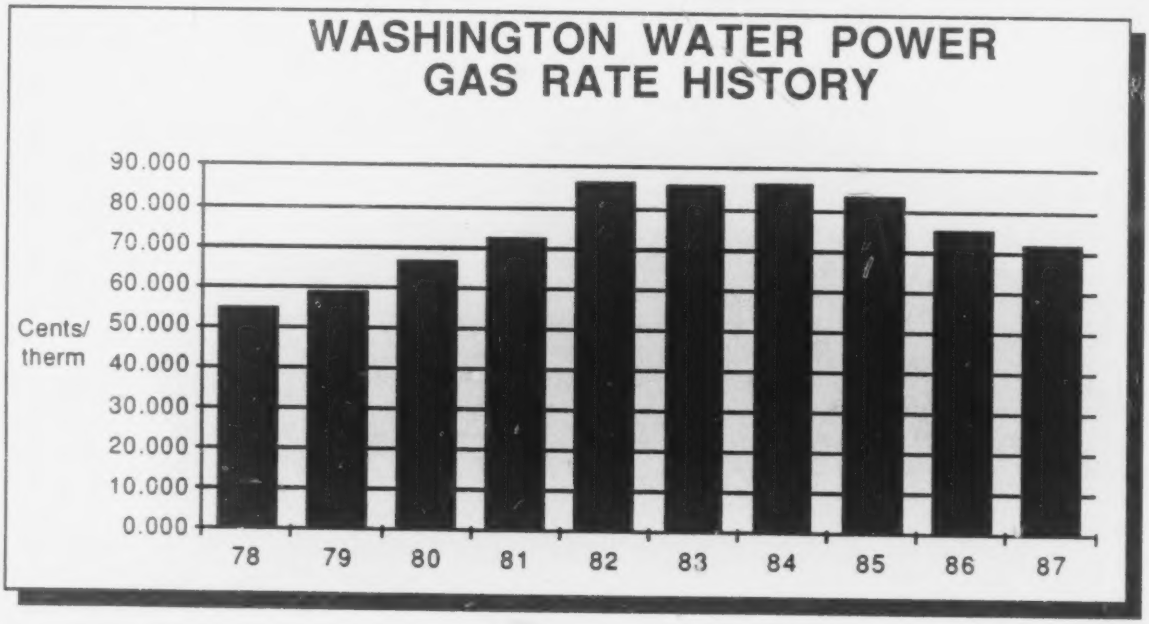
WASHINGTON WATER POWER CO.
GAS

Tariff Changes	Residential 10 Therms	Residential 30 Therms	Residential 90 Therms
	Average Monthly Billing ($)		
10-7-78	5.47	11.21	28.42
10-1-79	5.87	12.02	30.46
4-1-80	6.68	14.43	37.70
8-11-80	6.76	14.67	38.40
10-1-80	7.28	16.25	43.16
12-1-80	7.30	16.30	43.31
4-1-81	7.22	16.05	42.54
10-1-81	7.89	18.08	48.64
10-23-81	8.14	18.82	50.86
1-18-82	8.14	18.82	50.86
10-1-82	8.66	19.98	53.94
11-1-82	9.03	21.08	57.23
12-1-82	8.91	20.72	56.15
1-31-83	8.91	20.73	56.19
4-1-83	8.80	20.39	55.16
4-13-83	8.57	19.71	53.13
10-1-83	8.32	18.97	50.90
4-1-84	8.70	20.12	54.36
6-22-84	8.63	19.90	53.70
11-1-84	8.44	19.31	51.92
6-13-85	8.38	19.15	51.44
8-3-85	8.16	18.49	49.47
10-1-85	8.15	18.44	49.31
11-1-85	7.95	17.86	47.58
11-7-85	8.00	18.01	48.04
4-1-86	7.51	16.52	43.55
11-1-86	6.91	14.74	38.21
12-19-86	7.03	15.08	39.24
5-1-87	7.18	15.53	40.59
6-1-87	7.16	15.46	40.41

WASHINGTON WATER POWER CO.
GAS

Tariff Changes	Residential 10 Therms	Residential 30 Therms	Residential 90 Therms
		Relative Cost per Therm (cents)	
10-7-78	54.70	37.37	31.58
10-1-79	58.70	40.07	33.84
4-1-80	66.80	48.10	41.89
8-11-80	67.55	48.90	42.67
10-1-80	72.80	54.17	47.96
12-1-80	73.00	54.33	48.12
4-1-81	72.20	53.50	47.27
10-1-81	78.90	60.27	54.05
10-23-81	81.40	62.73	56.51
1-18-82	81.40	62.73	56.51
10-1-82	86.60	66.60	59.93
11-1-82	90.30	70.25	63.59
12-1-82	89.06	69.07	62.39
1-31-83	89.10	69.10	62.43
4-1-83	88.00	67.97	61.29
4-13-83	85.70	65.70	59.03
10-1-83	83.20	63.23	56.56
4-1-84	87.00	67.07	60.40
6-22-84	86.30	66.33	59.66
11-1-84	84.36	64.37	57.69
6-13-85	83.82	63.82	57.17
8-3-85	81.64	61.64	54.97
10-1-85	81.46	61.46	54.79
11-1-85	79.54	59.54	52.87
11-7-85	80.04	60.04	53.37
4-1-86	75.10	55.05	48.39
11-1-86	69.12	49.12	43.60
12-19-86	70.26	50.26	43.60
5-1-87	71.80	51.77	45.10
6-1-87	71.60	51.53	44.90


WASHINGTON WATER POWER
ELEC. RATE HISTORY
4.500
4.000
3.500
3.000
2.500
2.000
1.500
1.000
0.500
0.000
Cents/
kwh
BPA
CREDIT
78
79
80
81
82
83
84
85
86
87


WASHINGTON WATER POWER
GAS RATE HISTORY
90.000
80.000
70.000
60.000
50.000
40.000
30.000
20.000
10.000
0.000
Cents/
therm
78
79
80
81
82
83
84
85
86
87

UTAH POWER & LIGHT CO.

1407 West North Temple
P.O.Box 899
Salt Lake City, Utah. 84110
(801) 535-2000

The company at a glance

No. customers --	41,891
Rate base --	$287,593.100
Rate of return --	11.36%
Residential rate --	9.9 cents/kwh Summer 7.6 cents/ kwh Winter (less BPA credit of 2-3 cents/kwh)

Based in Salt Lake City, Utah Power and Light serves over 41,000 customers in southeastern Idaho. With annual sales of about 1,651,388,000 kwh, Utah Power & Light supplies 12 percent of Idaho's electrical needs and is the third largest electric utility in the state.

The company's 1987 revenues exceeded $76 million with 37 percent of the total coming from residential consumers, 57 percent from commercial and industrial users, less than one percent from public streets and highways and the 5 percent from sales to other distributors.

UP&L relies more heavily on thermal generation facilities than any other electric utility in the state and the rates are correspondingly higher. In comparable rate classes UP&L's rates range from one to three cents higher per kwh than the state's other, predominantly hydropower utilities.

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UTAH POWER & LIGHT CASE REVIEW

UP&L STREET LIGHTING SUBSIDIARY APPROVED

Case No. U-1009-173, Order No. 21353

In July 1987, the commission approved Utah Power and Light Co's plan to create a street lighting subsidiary, U.P.L. Leasing.

The regulated subsidiary was established to finance and market street and area lighting equipment, interruptible power supplies, and other energy systems for lease to customers.

According to conditions approved by the commission, if the subsidiary earns more than UP&L's authorized rate of return, ratepayers will benefit. If it earns less than the rate of return, shareholders will absorb the loss.

UP&L officials said their company could be caught in a "death spiral" of soaring rates and falling customer numbers if it did not change the way it conducted its street lighting business.

Company officials had been concerned that technological advances might prompt conversion to alternative, customer-owned lighting systems before existing, company-owned facilities were fully paid for. Such a switch would force an increase in rates for company- owned lighting. The increases could, in turn, prompt even more customers to turn to other systems.

The loss of a large segment of UP&L's street lighting business would adversely affect the remainder of the utility's customers, the commission said.

The commission approved an initial UP&L investment of up to $5 million in the new leasing subsidiary.

NU-WEST CONTRACT OK'D

Case No. U-1009-182, Order No. 21469

In September 1987, the commission conditionally approved a Utah Power & Light Co. agreement allowing Nu-West Industries to buy electricity at special contract rates for two years. Nu-West had recently taken over the Beker Industries phosphate fertilizer plant near Conda in Caribou County.

Under the agreement, UP&L supplies up to 17 megawatts of electricity to Nu-West at a price of 2.4 cents per kilowatt-hour the first year and 2.7 cents/kwh the second year. There is no demand charge.

The commission disapproved a provision which would have kept confidential Nu-West's energy usage and rates. "Contracts between public utilities and their customers are required by law to be on file with this Commission," the commission said.

"Among the terms contained in these contracts are 'the cost of energy figures,' i.e., the rates. These rates are public information," the commission said. "The rates cannot be confidential."

The commission approved the contract on the condition that the confidentiality requirement be removed.

NU-WEST NOT ENTITLED TO "SIMONELLI" REFUND

Case No. U-1009-187, Order No. 21895

In May 1988, the commission denied Nu-West Industries' request to share the 1.66 percent rate reduction enjoyed by Utah Power & Light Co.'s other customers as a result of the 1987 settlement of the "Simonelli" coal case.

"When we approved Nu-West's special contract with Utah Power and the incentive rates contained in that contract, there was no indication that Nu-West would claim . . . that it should receive even lower rates than those approved in its contract," the commission said. "Given these circumstances, it would be unfair, unjust and unreasonable . . . to include what was never contemplated--a special contract customer like Nu-West with an incentive rate negotiated after the Simonelli settlement additionally participating in the Simonelli settlement."

In December, Nu-West complained to the commission that its special contract rates (Case No. U-1009-182) should be reduced by 1.66 percent. Nu-West wanted to share in the rate reduction resulting from the Simonelli settlement reached in Utah in March 1987. As a result of the settlement UP&L's Idaho customers received an $8.6 million rate reduction spread over seven years. (Case No. U-1009-177)

"Nu-West is unique in Utah Power's Idaho retail jurisdiction--it is the only customer or kind of customer not specifically within the Commission's contemplation when the Simonelli settlement was made," the commission said in answering Nu-West's complaint. "Furthermore, it negotiated a special contract containing an incentive rate after the Simonelli settlement was final and tariffs implementing it had been filed.

"When we approved the Nu-West contract with Utah Power, we approved contracted incentive rates," the commission said. "We neither anticipated nor contemplated that Nu-West's rates would be lower during that contract term for any reason. For example, Nu-West will not be sharing in Utah Power's rate reduction associated with reduced federal income tax expenses."

The commission also noted that in 1987 Nu-West argued that its negotiated contract rates should not be subject to increases resulting from a general rate case.

"Nu-West cannot have it both ways," the commission said. "It cannot argue that its rates were negotiated and should not be subject to increase in a rate case, but that its negotiated rates should be subject to a decrease in the Simonelli settlement."

COMMERCIAL RATES CUT

Case No. U-1009-188, Order No. 21831

In March 1988, the commission approved a 7.7 percent reduction in the rates of Utah Power & Light Co.'s commercial customers effective April 1, 1988.

The rate reduction results from a decrease in UP&L's federal income tax liability under the Tax Reform Act of 1986. It reflected a $3 million decrease in the company's annual revenue requirement. In January 1989, the rate of the reduction will increase to 11.5 percent.

All of UP&L's "general service" rates and those for traffic signal systems qualified for the reduction. About 5,500 commercial and industrial customers in Idaho were affected.

UP&L had asked that the reduction become effective July 1. Wanting to reduce the disparity between UP&L's rates and those of surrounding utilities serving eastern Idaho as soon as possible, the PUC told the company to implement the new rates in April.

Depending almost entirely on coal-fired generation, UP&L's electrical rates are two to three times those of other eastern Idaho utilities, which rely primarily on cheaper hydropower.

The commission received only one written comment on the reduction, which was proposed by the company at the end of 1987. Monsanto, UP&L's largest Idaho customer, intervened to assure that none of UP&L's other rates, including its own special contract rates, would increase as a result of the reduction in commercial and industrial rates.

UP&L's federal income tax rate dropped from 46 percent to 34 percent on July 1, 1987, when the Tax Reform Act of 1986 took effect. The resulting reduction in the utility's revenue requirement was used initially to offset a one-time tax payment for 1983 and 1984.

UP&L-PP&L MERGER

Case No. U-1152-1, Order No. 21867

On April 15, 1988, the commission put its stamp of approval on the merger of Utah Power & Light Co. with Pacificorp, the parent corporation of Pacific Power & Light Co.

The approval was conditioned on rates not increasing in either PP&L's north Idaho service area or UP&L's territory in the southeastern part of the state.

"The merged company will offer substantial benefits to its customers under the conditions imposed and with ongoing commission supervision," PUC President Joe Miller said.

The commission noted that company officials were committed to substantial reductions in UP&L's rates and rate stability for PP&L's customers following the merger and that other merits of the merger were also important to their decision.

In addition to prohibiting rate increases as a result of the merger, the commission ordered Pacificorp to carefully record all transactions between the two utilities and with other affiliates. The merged company is also prohibited from forming generation or transmission subsidiaries and from selling any of its Idaho property without the commission's approval.

In August 1987, UP&L and PP&L announced their intention to merge and on Sept. 17, 1987 filed for IPUC approval of their proposal.

Under Idaho law the commission can approve such a transaction only if its finds: 1) "that the public interest not be adversely affected," 2) "that the cost of rates when supplying service will not be increased by reason of such transaction," 3) "that the applicant for such acquisition or transfer has the bona fide intent and financial ability to operate and maintain said property in the public service."

In addition, "the commission . . . may attach to its authorization and order such terms and conditions as in its judgment the public convenience and necessity may require."

The commission held public hearings on the proposal in Sandpoint in December 1987 and in Pocatello in 1988. The following parties intervened in the case: Washington Water Power Co., Bonneville Power Administration, Public Power Council, Idaho Irrigation Pumpers, Monsanto Co., FMC Corp., Idaho Power Co., Idaho Cooperative Utilities Assn., J.R. Simplot Co.

CREDA INTERVENTION DENIED

In November 1987, the commission denied the Colorado River Energy Distributors Association's request to intervene in the case but allowed CREDA interested party status.

In denying intervenor status to CREDA, the commission noted that the group, which represents 117 electric systems in other states, has no substantial Idaho-related ties. "Though its interests in the effects of the merger upon the operations of its members is substantial, this is not the forum for considering those interests," the commission said.

PP&L, with about 9,000 Idaho customers in the Sandpoint area, operates in six western states and has annual revenues of more than $1 billion. UP&L operates in three states, has annual revenues of just under $1 billion, and serves about 41,000 Idaho customers primarily in rural areas from Humphrey on the Montana border to Franklin on the Utah border.

MERGER BENEFITS

"The merged company will benefit from the diversity of Pacific Power's and Utah Power's loads," the commission said in its order approving the merger. Combining UP&L's system, which receives its greatest demand in the summer, with PP&L's winter peaking system could reduce the need for generating capacity by 436 megawatts, about the size of one power plant.

Integrating the companies' generation and transmission systems will create other efficiencies as well. By intertying the systems, less costly power can be moved where it is need more quickly.

"Furthermore, the combination of the two companies' transmission systems is advantageous, giving the merged company access from the Pacific Northwest to California, from Idaho and Wyoming to the Inland Southwest, and from Wyoming to the Northern Plains states," the commission said. "This transmission system is well situated for purchases, sales and exchanges with other utilities."

Shortly after the proposed merger was annouced, PP&L President Dave Bolender noted that "synergies" of combining the two systems would save $50 million to $150 million a year. He promised that UP&L's Idaho rates will be reduced by 2 percent within 60 days after the merger and 5 to 10 percent within four years and that PP&L's rates will not increase over the same period.

"A promise of rate reduction or of rate stability is insufficient, in itself, to obtain our approval of this transaction or of similar transactions that may be proposed in the future," the commission said. "We have no doubt that such promises, although well intentioned, are in part the result of a political or public relations strategy perceived by advocates as necessary to generate ratepayer support for the proposed merger. Our decision in this case must be, and is, based on an objective appraisal of the merits of the merger.

TRANSMISSION ISSUES

"We recognize the possibility, indeed the probability, that there will be times when the merged company's favorable control of Utah Power's transmission bottleneck will give it market power and benefits it would not otherwise have at the expense of other investor-owned or publicly-owned utilities serving ratepayers in Idaho," the commission said. "The most vulnerable utility would be Idaho Power, which has reached a separate accommodation with the applicants addressing many of it concerns. Indeed, the possibility of its participation in an Inland Intertie is positive.

"The other utilities serving ratepayers in Idaho are less vulnerable to the merged company's use of this transmission bottleneck," the commission said. "Furthermore, the advantages of the merger to the ratepayers of Pacific Power and Utah Power are day-in and day-out and primary; the possible detriments to ratepayers of other utilities in Idaho are infrequent and secondary. The former predominate."

Concerns about transmission issues were raised by several parties who intervened in the merger case, principally Idaho Power Co. and the Public Power Council (PPC). Idaho Power reached an independent settlement of those issues with the merging companies.

"PPC contended that the merged company would gain significant control of the transmission bottlenecks from the Pacific Northwest into the southern California-Nevada and into the Inland Southwest markets," the order noted. "The applicants main-

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tained that they would have but minimal control over these transmission corridors. The truth lies between the exaggerated claims of both sides.

"The merged company will control a substantial amount of transmission from the Pacific Northwest to California. But PP&L's 300 megawatts in the Pacific intertie is insignificant compared to the over ten times that amount along the same corridor. Transmission access from the Pacific Northwest to California is dominated much more by BPA than by PP&L, and Pacific's merger with Utah Power appears not to be of great consequence there.

"That is not the case farther inland," the commission said. "From this state's perspective, Utah Power owns and controls the bottleneck for the most significant transmission corridor between the Pacific Northwest and the Inland Southwest. The merger will not increase Utah Power's control of this corridor, because it is already 100%, but it will increase Pacific Power's access to markets from which Utah Power could formerly exclude Pacific or other Northwest utilities. Pacific has advantaged itself in a manner that Water Power, Idaho Power, and publicly owned utilities have not.

"But the issue has since subsided. Idaho Power has filed its agreements with the Applicants to settle their disputes before FERC and in Idaho District Court. Among the conditions of the settlement are that Idaho Power withdraw its intervention and recommendations in this proceeding and that Pacific agree not to oppose a subsequent Idaho Power proposal to build Idaho Power's own inland transmission ties (in return for Pacific obtaining a 20% share). This could be the beginning of an Inland Intertie, which would benefit generating utilities east of the Cascades and west of the Rockies.

"Idaho Power, because of its location, was the utility most likely to be affected by the merged company's transmission system and transmission policies. It has now reached a settlement with the Applicants regarding a number of transmission-related issues.

"The reactions of the region's utility community to the applications in this and other jurisdictions are of interest. This commission notes a stir in other boardrooms. What is before us may be the catalyst, advancing inadvertently by several years the creation of a path--for multi-utility access independent of the massive Bonneville Power Administration presence on the Pacific Intertie--between the winter-peaking Inland Northwest and the summer-peaking arid Southwest.

"Officers of investor-owned utilities by their own account are actively considering new strategems to counter this proposed new entity and to achieve greater flexibility for relations with California utilities and Bonneville.

"Public Power spokesmen (as demonstrated by their unaccustomed presence in this case) are stepping beyond their perennial bemusement with the Northwest Power Act and the Washington Public Power Supply System disarray.

"Thus the short-term effect has not been paralysis at the prospect of an imminent reversion to pre-PUHCA [Public Utility Holding Company Act] monopoly, but has been invigorating. Neither in this record nor outside it do we see a climate for fatalism or paranoia.

"The options are many for utilities, for public policymakers, and for the regulators. It is the individual ratepayer in a given certificated area who has the fewest alternatives. Aware of regulation's accountability for that customer's welfare, we view the new configuration for transmission, in the Idaho Power settlement specifically and in the activity since the application was filed, as a net gain."

UP&L EXEC: MERGER AN ALTERNATIVE TO IDAHO POWER BUY-OUT

In September 1987, the commission received a copy of a letter from the head of the Utah Power & Light Co. explaining to his counterpart at the Idaho Power Co. why UP&L's Idaho facilities cannot be sold.

"The alternative which was finally selected was a merger of the Utah Power system with PacifiCorp, with synergies and diversification which will allow significantly lower rates for our customers," said the letter from UP&L President and Chief Executive Officer Frank Davis to Bob O'Connor, Idaho Power's president and c.e.o.

The purpose of the letter was to put in writing UP&L's position on "the future operation of the company's service area in southeastern Idaho." Davis referred to a March 1987 meeting with Idaho legislators and to House Concurrent Resolution No. 21, both of which spurred the utility executives to "explore all possible alternatives to address the problem of rate disparity" between their companies.

"As you are aware, the company's three-state service area comprises an integrated generation, transmission and distribution system," Davis wrote. "There is no practical way to sever a portion of the distribution system without adequate compensation not only for those facilities but also for all generation and transmission facilities, wherever located, dedicated to supplying service to our Idaho customers."

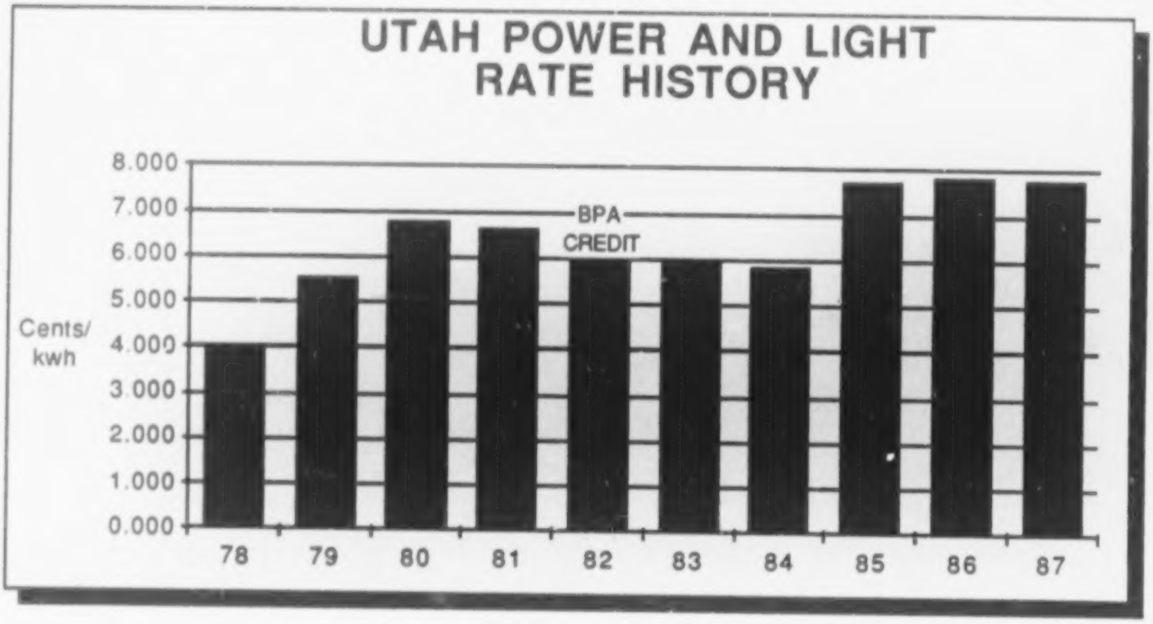
Davis said that the results of the UP&L-PacifiCorp merger "will clearly be in the best interests of the company's customers and also in the best interests of the State of Idaho."

UTAH POWER & LIGHT CASE LISTING

Case No. U-1009-		Synopsis	Order No.	Date
147	11-28-84	Investigation of industrial contract rates	21584	11-13-87
173	1-21-87	U.P.L. Leasing subsidiary authorized	21353	7-27-87
177		Rate reduction to begin 8-1-87	21313	7-07-87
181	8-04-87	Authorizing promissory notes not to exceed $246 million	21411	8-21-87
182	9-02-87	Nu-West Industries contract conditionally approved	21469	9-18-87
183		Monsanto power service agreement approved	21470	9-18-87
184	9-17-87	Pacificorp, UP&L merger approved	21867	4-15-88
187	12-14-87	Nu-West Industries complaint denied	21895	5-04-88
188	12-21-88	Commercial rate decrease approved	21831	3-29-88
UPL-E-88-				
1	1-15-88	Schedules 6/6A and 23/23A demand limits removed	21769	2-19-88
2	3-25-88	Firm energy sales agreement	21875	4-19-88
3	5-02-88	Water heater rebate program		

UTAH POWER & LIGHT CO.

Tariff Changes	Straight Residential (500 Kwh/Mo.)	Residential W/Water Heater (1000 Kwh/Mo.)	Residential All-Electric (1000 Kwh/Mo. 6 Mos.) (3000 Kwh/Mo. 6 Mos.)
	Average Monthly Billing ($)		
10/81	20.65	41.30	75.83
10/82	25.46	50.92	94.07
11/82	25.49	50.97	94.39
5/84	24.93	49.87	91.96
9/84	27.27	54.54	100.14
2/85	30.68	61.35	114.38
11/85	31.26	62.52	115.46
4/86	32.17	64.35	118.62
4/88	33.80	67.61	124.54
	Relative Cost per Kwh (cents)		
10/81	4.1303	4.1303	3.791
10/82	5.0923	5.0923	4.704
11/82	5.0973	5.0973	4.720
5/84	4.9868	4.9868	4.598
9/84	5.4536	5.4536	5.007
2/85	6.1350	6.1350	5.719
11/85	6.2521	6.2521	5.773
4/86	6.4345	6.4345	5.931
4/88	6.7605	6.7605	6.227


UTAH POWER AND LIGHT
RATE HISTORY
Cents/
kwh
8.000
7.000
6.000
5.000
4.000
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1.000
0.000
BPA
CREDIT
78
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82
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84
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PACIFIC POWER & LIGHT CO.

Public Service Building
920 S.W. 6th Ave.
Portland, Oregon 97204
(503) 243-1122

Sandpoint - 263-3117

The company at a glance

No. customers --	9,291
Rate base --	$11,680,000
Rate of return --	10.04%
Residential rate --	5.018 cents/kwh Net of BPA credit

Portland, Oregon based Pacific Power & Light Co. serves about 9,000 customers in Idaho in the Sandpoint-Clarks Fork area. With annual sales of about 188,709,000 kilowatt-hours, PP&L is the forth largest electric utility in the state, providing about one percent of Idaho's electrical needs.

The company's 1987 revenues exceeded $10 million with 41 percent of the total coming from residential consumers, and 58 percent from commercial and industrial users. The remaining one percent came from public street and highway demand.

PACIFIC POWER & LIGHT CO. CASE LISTING

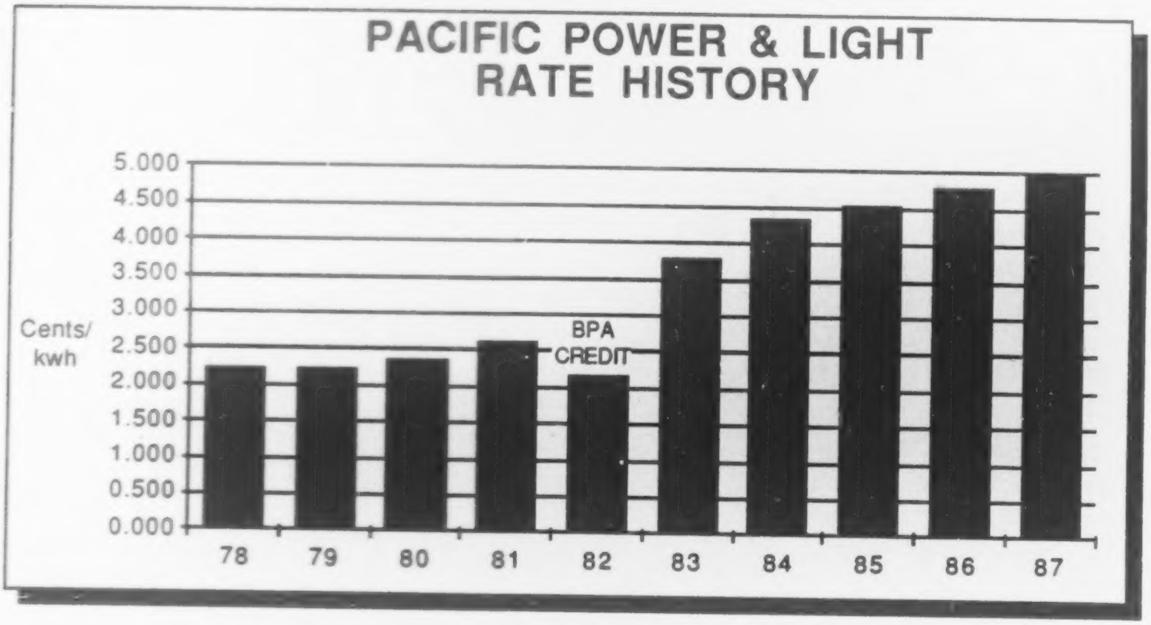
Case no. U-1046-		Synopsis	Order No.	Date
150	12-09-85	5,000,000-share stock issuance approved	21472	9-21-87
155	8-26-86	25,000-share stock issuance approved	20687	8-08-86
161		UP&L merger approved	21867	4-15-88
162	12-01-87	Revised rates approved	21783	2-26-88
163	12-16-87	Pollution Control Revenue Bonds	21666	1-04-88
PPL-E-88-				
1	5-19-88	$15,000,000 debt guaranty	21924	6-08-88

PACIFIC POWER & LIGHT CO.

Tariff Changes	Straight Residential (500 Kwh/Mo.)	Residential W/Water Heater (1000 Kwh/Mo.)	Residential All-Electric (1000 Kwh/Mo. 6 Mos.) (3000 Kwh/Mo. 6 Mos.)
	Average Monthly Billing ($)		
8-1-78	11.19	20.37	38.75
3-4-80	11.87	21.75	41.50
3-22-81	13.21	24.42	46.84
10-1-81 BPA Credit	12.65	23.30	44.60
3-4-82	10.83	25.78	54.94
10-1-82	15.60	31.20	62.40
1-1-83	17.55	35.09	70.18
3-7-83	19.31	38.61	77.22
7-1-83	18.96	37.92	75.84
11-1-83	20.63	41.26	82.52
1-26-84	22.32	44.64	89.28
3-19-84	22.55	45.09	90.18
7-1-84	21.76	43.52	87.04
10-10-84	22.09	44.18	88.36
1-1-85	23.85	47.69	95.38
7-1-85	22.71	45.42	90.84
1-1-86	24.01	48.01	96.02
3-2-87	25.09	50.18	100.36

PACIFIC POWER & LIGHT CO.

Tariff Changes	Straight Residential (500 Kwh/Mo.)	Residential W/Water Heater (1000 Kwh/Mo.)	Residential All-Electric (1000 Kwh/Mo. 6 Mos.) (3000 Kwh/Mo. 6 Mos.)
	Relative Cost per Kwh (cents)		
8-1-78	2.238	2.037	1.938
3-4-80	2.374	2.175	2.075
3-22-81	2.642	2.442	2.342
10-1-81	2.530	2.330	2.223
3-4-82	2.166	2.578	2.747
10-1-82	3.120	3.120	3.120
1-1-83	3.509	3.509	3.509
3-7-83	3.861	3.861	3.861
7-1-83	3.792	3.792	3.792
11-1-83	4.126	4.126	4.126
1-26-84	4.464	4.464	4.464
3-19-84	4.509	4.509	4.509
7-1-84	4.352	4.352	4.352
10-10-84	4.418	4.418	4.418
1-1-85	4.769	4.769	4.769
7-1-85	4.542	4.542	4.542
1-1-86	4.801	4.801	4.801
3-2-87	5.018	5.018	5.018


PACIFIC POWER & LIGHT
RATE HISTORY
Cents/
kwh
5.000
4.500
4.000
3.500
3.000
2.500
2.000
1.500
1.000
0.500
0.000
BPA
CREDIT
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CITIZENS UTILITIES CO.

High Ridge Park
P.O. Box 3801
Stamford, Connecticut 06905
(203) 329-8800

612 Cedar Street
Wallace, Idaho 83873
752-1174

The company at a glance

No. customers --	2,075
Rate base --	$914,000
Rate of return --	11.00%
Residential rate --	$3.06 / Mo. + 4.69 cents/kwh

Citizens Utilities is headquartered in Connecticut. Its 2,000 Idaho customers are located in the Silver Valley. Citizens annually sells about 26,332,000 kilowatt-hours, less than 1 percent of the states electrical requirements.

Citizens 1987 revenue approached $1.4 million, with 57 percent coming from residential consumers, 32 percent from commercial and industrial users, and the remaining 11 percent from public street and highways.

CITIZENS UTILITIES CO. CASE REVIEW

RATE HIKE OK'D, FEDERAL PREEMPTION QUESTIONED

Case No. U-1007-57, Order No. 21592

In November 1987, the commission approved a $102,577 (6.9 percent) increase in Citizens Utilities Co.'s electrical rates.

The increase added $3.40 to the monthly bill of the average residential customer using 1,000 kilowatt-hours of electricity.

The increase resulted from an increase in the wholesale cost of power Citizens buys from Washington Water Power Co. at rates set by the Federal Energy Regulatory Commission.

While approving the rate increase, the Idaho PUC noted that the case provided an example of the need for a change in the Federal Power Act. Under that law, the FERC sets wholesale rates for power sales by one utility to another. The federal commission sets the rates even for entirely in-state transactions between utilities which are normally regulated by a state commission.

"Under the current state of the law, federal preemption as a practical matter requires us to recognize the reasonableness of increased rates approved by the FERC," the Idaho commission said. "We . . . note our preference for a reconfiguration of federal and state jurisdiction that would put this essentially local issue of the wholesale transaction between Water Power and Citizens before this commission."

In its wholesale rate filing, Water Power told FERC that it was reasonable to recover 64 percent of the company's investment in the ill-fated Washington Nuclear Plant No. 3 (part of the Washington Public Power Supply System). The IPUC intervened before the FERC to oppose a settlement based upon that rationale.

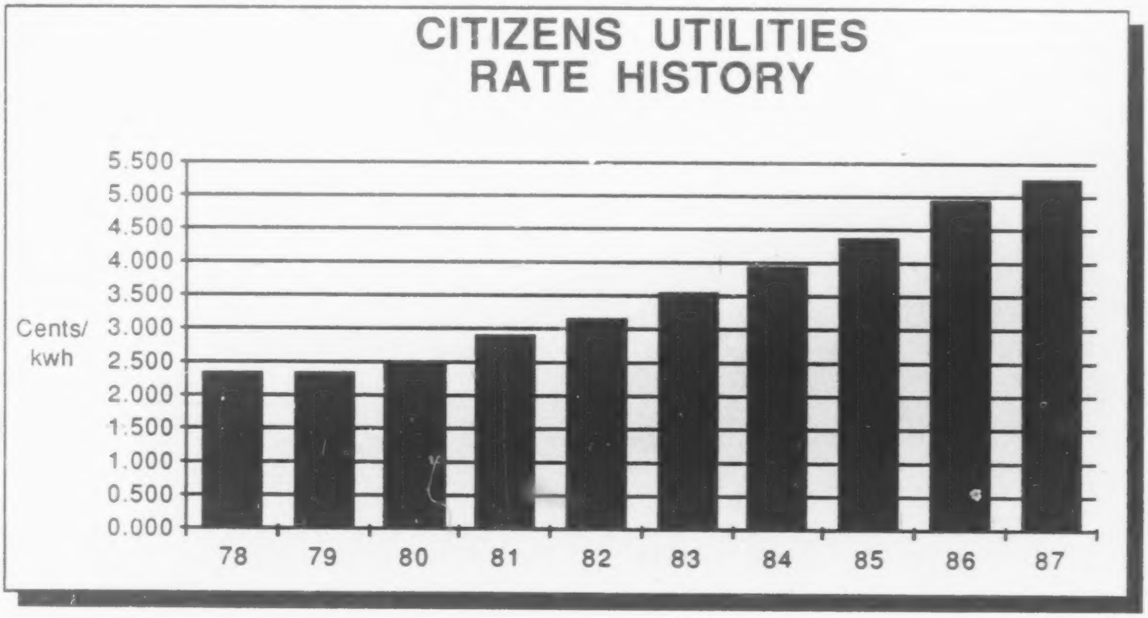
The IPUC was concerned that such a settlement could impose upon Citizens' Idaho ratepayers a recovery for the WPPSS investment far in excess of that approved for Water Power's Idaho ratepayers. The IPUC had allowed Water Power to recover 60 percent of its pre-1982 investment in WNP-3 but disallowed recovery of the remainder.

As it turned out, the wholesale rate settlement agreed upon by Water Power and Citizens resulted in rates lower than those which could have been justified using the IPUC's treatment of the WNP-3 investment.

"Our principal concern was that the rates Citizens seeks to recover do not include allowances for Water Power's investment in WNP-3 or allowances for settlement exchange power in excess of the allowances this commission has given Water Power for its retail customers in Idaho," the commission said. "We are now satisfied neither of these happened."

CITIZENS UTILITIES CO. CASE LISTING

Case no. U-1007-		Synopsis	Order No.	Date
57	10-05-87	increase rates for increased purchased power costs	21592	11-13-87
58	12-08-87	$100,000,000 of unsecured promissory notes authorized	21704	1-11-88
CUC-88- 1	6-03-88	General rate case, electircity and water		
S-1	6-16-88	$93,000,000 of revenue bonds authorized	22000	6-28-88



CITIZENS UTILITIES CO.

Tariff Changes	Straight Residential (500 Kwh/Mo.)	Residential W/Water Heater (1000 Kwh/Mo.)	Residential All-Electric (1000 Kwh/Mo. 6 Mos.) (3000 Kwh/Mo. 6 Mos.)
Average Monthly Billing ($)			
7-1-78	11.71	20.24	37.30
3-4-80	12.54	22.29	41.78
3-22-81	14.56	26.33	49.86
3-13-82	15.88	28.96	53.71
3-9-83	17.81	32.76	62.66
3-18-84	19.78	36.69	70.52
11-26-84	21.91	40.97	79.07
2-6-86	24.46	45.86	88.66
7-1-86	24.81	46.56	90.06
11-1-87	26.51	49.96	96.86
Relative Cost per Kwh (cents)			
7-1-78	2.342	2.024	1.865
3-4-80	2.508	2.229	2.089
3-22-81	2.912	2.633	2.493
3-13-82	3.176	2.896	2.686
3-9-83	3.562	3.276	3.133
3-18-84	3.956	3.669	3.526
11-26-84	4.380	4.100	3.950
2-6-86	4.892	4.586	4.433
7-1-86	4.962	4.656	4.503
11-1-87	5.302	4.996	4.843

ATLANTA POWER CO.

P.O. Box 357
Fairfield, Idaho 83327
764-2310

The company at a glance

No. customers -- 48
Residential rate -- $50/mo.
+ $15/mo. surcharge until June 1989
+ 6.8 cents/kwh above 500 kwh/mo.
+ 12 cents/kwh above 1000 kwh/mo.
November-February

ATLANTA POWER CO. CASE REVIEW

RESIDENTIAL METERS, NEW RATES APPROVED

Case No. U-1147-6, Order No. 21

In May 1988, the commission authorized Atlanta Power Co. to meter its residential customers and to begin charging new rates June 1, 1988.

New residential rates include a minimum charge of $50 per month for the first 500 kilowatt-hours of electricity. Additional usage costs 6.8 cents per kWh.

In the past, monthly residential rates included a flat energy rate of $20 in addition to a customer charge of $30. Thus, the new rates will result in no increase for those using up to 500 kWh per month, which provides basic household electric service, not including water or space heating.

The rates for commercial customers, already receiving metered service, included a $100 monthly minimum charge for up to 500 kWh, plus 6.8 cents per kWh for additional usage. In the past, commercial rates included a $100 monthly customer charge (which included no energy), plus 6 cents for each kWh.

During the winter months of November through February, both residential and commercial customers will pay 12 cents per kWh for all usage above 1,000 kWh in any month. This seasonal charge is needed because of winter limitations on Atlanta's hydropower generation and will enable the company to meet additional costs of diesel generation.

The commission created a new customer class. Part-time residents who use power only seasonally or on weekends pay a $25 monthly customer charge plus 12 cents per kWh for all metered energy usage.

Newly adopted connection charges are $25 for new customers and existing customers disconnected for 30 days or less and $100 for those disconnected for more than 30 days. The commission ordered the company to grant a 90-day grace period to encourage reconnection of former customers at the $25 rate.

In the past, new customers and those involuntarily disconnected paid a $60 connection fee. Part-time customers requesting reconnection were charged $30 for each month they were disconnected, up to $210.

In December 1987, Atlanta Power applied to the commission for authority to meter its residential customers and to charge metered rates of 11 cents per kWh for hydropower and 17 cents per kWh for diesel generation. A public hearing attended by most of the town's residents was held on March 14 and 15.

Ron Seewald of Boise and Atlanta participated in the hearing as an intervenor. "His testimony and representation of community interest was of significant value in the commission's consideration of the issues presented," the commission said.

The new rates will not fully fund Atlanta Power's revenue requirement at current usage levels. The commission noted the importance of attracting new customers to the 48-customer utility:

"We believe that the judiciousness of purchasing a system in need of substantial investment must have been considered by the owners," the commission said. "The level of required investment must have been weighed against the estimated return on investment.

"The size and nature of the existing customer base suggests that the investment was speculative and that the owners expected to attract additional load," the commission said. "The company must nurture and foster additional growth to realize the level of compensation and profit they have requested.

"While we cannot force the company to operate at a loss or to forego a reasonable return, neither can we allow them to price themselves in such a manner that future growth would be jeopardized or that an attrition of customers would be triggered," the commission said. "The harsh reality is that customers will choose alternative methods of generation if the price of company power increases beyond a critical point."

The commission recognized a rate base of $168,688 for Atlanta Power and authorized an overall 10.89 percent rate of return. The company requested an 11 percent rate of return.

"We authorize a 10 percent rate of return on debt and recognizing the riskiness of the utility, although not professionally rated, we authorize a 12.25 percent return on equity," the commission said.

The commission also commented on the company's record keeping and management policies:

"Atlanta must operate the utility as a business and keep proper and contemporaneous records," the commission said. "Expenses must be properly substantiated. That the company fails to keep proper records is best evidenced by the following excerpt from its post hearing comments:

The real litmus test of whether these expenses occurred and will occur, and are reasonable, and therefore should be allowed as reasonable operating expenses, is not whether the accountant could find vouchers in the audit verifying these expenses, but whether they were in fact verified under oath before the commission. A more pertinent source of information is not available.

"To adopt such a litmus test for regulated utilities would obviate the necessity of records, would eliminate the need for audits and would leave ratepayers essentially unprotected and subject to the 'trust me' representations of utility management," the commission said. "This is unacceptable."

So saying, the commission reduced the company's operating expenses by more than $12,000 to $38,877.

Atlanta Power petitioned for reconsideration of the commission's May decision in July 1988, following the period covered by this report. Reconsideration was granted, hearings held in Atlanta in August, and in October 1988 the commission approved a $15 per month surcharge for all Atlanta customers through May 1989.

In October 1988, the commission also reduced the residential energy rate from 6.8- to 5-cents per kWh, increased the monthly charge for seasonal commercial customers from $25 to $50, and increased the reconnection fee from $100 to $150 for customers who disconnect for more than 30 days.

ATLANTA POWER CO. CASE LISTING

Case no. U-1147-		Synopsis	Order No.	Date
2	2-27-86	Application for approval of rates	21367	7-28-87
4	5-16-86	Investigation of service and safety standards	21581	11-12-87
6	12-10-87	General rate case	21928	5-27-88

COOPERATIVE and MUNICIPAL ELECTRIC UTILITIES OPERATING IN THE STATE OF IDAHO

The Idaho Public Utilities Commission does not regulate
cooperative or municipal electric utilities.
They are listed here as a courtesy.

ALBION LIGHT & WATER PLANT
P.O. Box 163
Albion, Idaho 83311
(208) 673-5351

BONNERS FERRY LIGHT & WATER
P.O. Box 149
Bonners Ferry, Idaho 83805
(208) 267-3105

BURLEY MUNI. DISTRIB. SYSTEM
P.O. Box 1090, 2020 Park Ave.
Burley, Idaho 83318
(208) 678-2538

CLEARWATER POWER CO.
P.O. Box 997, 4230 Hatwai Rd.
Lewiston, Idaho 83501
(208) 743-1501

DECLO MUNI. ELECTRIC DEPT.
P.O. Box 141
Declo, Idaho 83323
(208) 654-2124

DUBOIS ELECTRIC SYSTEM
Box 27
Dubois, Idaho 83423
(208) 374-5241

EAST END MUTUAL ELECTRIC CO.
528 "E" Street
Rupert, Idaho 83350
(208) 436-9357

FALL RIVER RURAL ELECTRIC
Box AE, 714 Main Street
Ashton, Idaho 83420
(208) 652-7431

HEYBURN ELECTRIC DEPT.
941 18th Street, Box 147
Heyburn, Idaho 83336
(208) 678-8158

IDAHO FALLS ELEC. LIGHT DIV.
P.O. Box 220
Idaho Falls, Idaho 83402
(208) 529-1430

IDAHO COUNTY LIGHT & POWER
P.O. Drawer B
Grangeville, Idaho 83530
(208) 983-1610

KOOTENAI ELECTRIC CO-OP, INC.
P.O. Box "K"
Hayden Lake, Idaho 83835
(208) 772-7551

LOST RIVER ELECTRIC CO-OP, INC.
P.O. Box 417
Mackay, Idaho 83251
(208) 588-3311

MINIDOKA ELECTRIC DEPT.
Minidoka, Idaho 83343
(208) 531-4101

NORTHERN LIGHTS, INC.
P.O. Box 310
Sandpoint, Idaho 83864
(208) 263-5141

PLUMMER ELECTRIC DEPT.
Box B, 880 "C" Street
Plummer, Idaho 83851
(208) 686-1422

PRAIRIE POWER CO-OP, INC.
Box 187
Fairfield, Idaho 83327
(208) 764-2214

RAFT RIVER ELEC. CO-OP, INC.
Box 617, 250 No. Main St.
Malta, Idaho 83342
(208) 645-2211

RUPERT ELECTRICAL DEPT.
P.O. Box 426
Rupert, Idaho 83350
(208) 436-9608

RURAL ELECTRIC COMPANY
P.O. Box 647
Rupert, Idaho 83350
(208) 436-4781

SALMON RIVER ELEC. CO-OP
P.O. Box 384
Challis, Idaho 83226
(208) 879-2283

SNAKE RIVER POWER ASSN.
P.O. Box 617
Malta, Idaho 83342
(208) 645-2211

SODA SPRINGS MUNI. ELEC.
LIGHT AND POWER DEPT.
9 West 2nd South
Soda Springs, Idaho 83276
(208) 547-2151

SOUTH SIDE ELECTRIC LINES
P.O. Box 127
Declo, Idaho 83323
(208) 654-2313

UNITY LIGHT & POWER CO.
P.O. Box 1247
Burley, Idaho 83318
(208) 678-5221

WEISER WATER & LIGHT DEPT.
55 West Idaho Street
Weiser, Idaho 83672
(208) 549-1965

GAS UTILITIES IN IDAHO

The Idaho Public Utilities Commission regulates two natural gas utilities, Intermountain Gas Co. and Washington Water Power Co. Intermountain Gas supplies natural gas to southern Idaho, serving more than 100,000 customers in 64 communities. Washington Water Power has gas operations in eastern Washington and northern Idaho, serving more than 18,000 customers in Northern Idaho.

Historically, when natural gas reached Idaho communities in the 1950's, all of the local distribution companies' supply came from the Northwest Pipeline Corp. of Salt Lake City, Utah, which serves much of the Pacific Northwest. The pipeline connected the Four Corners fields of the Southwest with Canadian supply.

When OPEC price increases hit oil and gas prices in the 1970's, most of Idaho's gas was coming from Canada. With western Canada export rates linked to Canada's OPEC import costs in the East, prices soared. They topped out in 1982-83, at about $4.40 per 1,000 cubic feet at the border.

Sweeping changes in gas marketing and in federal pipeline regulaton, coupled with the OPEC price collapse and surplus supplies, have dramatically improved Idaho's position since then. (See the summaries for Intermountain Gas Co. and Washington Water Power Co. for 1988 retail rates.)

The greatest change that direct utility access to the gas market has brought to Idlaho is that in 1988 more than 90 percent--sometimes 98 percent--of Intermountain's supply was bought from producers by the utility itself and transported to Idaho by the pipeline. The resulting competition has reduced fuel costs for Idaho's food-processing and chemical industries.

Because Idaho has seen the least industrial fuel switching (from gas to oil or coal) of any Northwestern state, houselholds and commercial customers, the "core" group, have benefitted as the large industrial volumes helped to cover the utilities' overall operating costs.

Gas cases involving WWP are covered in the electric utility section pp. 32-43.

INTERMOUNTAIN GAS CO.

555 So. Cole Road
P.O. Box 7608
Boise, Idaho 83707
377-6000

The company at a glance:

No. customers --	102,528
Rate base --	$66,355,100
Rate of return --	12.34%

Residential rate:

Summer--$2.50 per mo.
+ 60.436 cents per therm
Winter--$6.50 per mo.
+ 49.18 cents per therm

Boise based Intermountain Gas Company sold over 179,000,000 therms of natural gas in 1987 at an average rate of $0.4409 per therm for a total revenue of $79,049,000. Of their 102,000 customers, 86 percent are residential, 13 percent are commercial and less than one percent are industrial. However, residential customers account for 34 percent of sales and 43 percent of revenue while commercial customers account for 25 percent of sales and 26 percent of revenues. Industrial consumers use over 41 percent of delivered therms and account for 30 percent of Intermountain Gas's revenues.

INTERMOUNTAIN GAS CO. CASE REVIEW

NU-WEST CONTRACT OK'D

Case No. U-1034-144, Order No. 21450

In September 1987, the commission approved an Intermountain Gas Co. contract which will allow Nu-West Industries to buy inexpensive natural gas. Nu-West had recently taken over the Conda, Idaho, phosphate fertilizer plant formerly run by Beker Industries.

IPUC President Perry Swisher said the Conda reopening made Idaho "preeminent in the phosphate industry." The Monsanto Chemical Co. elemental phosphorus plant at nearby Soda Springs, he noted, is now the only such plant Monsanto operates since the PUC approved Monsanto's access to hydro-based electric rates -- a status already enjoyed by the FMC elemental phosphorus plant and the Simplot superphosphate plant near Pocatello.

"Idaho's public and private-sector leadership has anchored this industry firmly in our eastern slope," Swisher said. "This in my opinion is the major 1987 success story in Idaho's renewed commitment to economic development."

Nu-West officials said they would be unable to start up their Idaho operation without access to inexpensive gas. They had applied to the Federal Energy Regulatory Commission for permission to buy gas directly from producers. With FERC approval, both Intermountain Gas and its supplier, Northwest Pipeline, would transport the gas for Nu-West.

The contract approved by the IPUC said that Intermountain would sell Nu-West up to 30,000 therms of gas per day at its large-volume industrial rate through Oct. 31, 1987. FERC was expected to act on Nu-West's application by that time.

The agreement also enabled Nu-West to sell back to Intermountain at its pipeline price an amount of gas equal to that purchased at industrial rates before FERC approval of the transportation arrangement. Intermountain's large-volume rate was about 30 cents per therm. The rate it paid Northwest Pipeline was about 20 cents per therm.

GAS COST ADJUSTMENTS RESULT IN RATE HIKE

Case Nos. U-1034-146, -147, Order Nos. 21476, 21477

In September 1987, the commission approved the pass-through to customers of the net effect of several changes in Intermountain Gas Co.'s costs for natural gas. The change resulted in an increase of between 75 cents and $1 per month in the average household's gas bill beginning Oct. 1, 1987.

The pass-through represented a $3.2 million (3.33 percent) increase in the company's annual revenue, but did not affect its net income. The cost of a therm of gas rose 1.321 cents.

Rates for residential customers who use gas for either space or water heat rose 2.18 percent, or about $9.25 per year. Residences using gas for both space and water heat saw a 2.67 percent increase -- about $11.23 a year.

Commercial rates went up 2.94 percent -- about $3.30 per month on the average. Industrial users saw a 4.63 percent increase.

INTERMOUNTAIN GAS CO. CASE LISTING

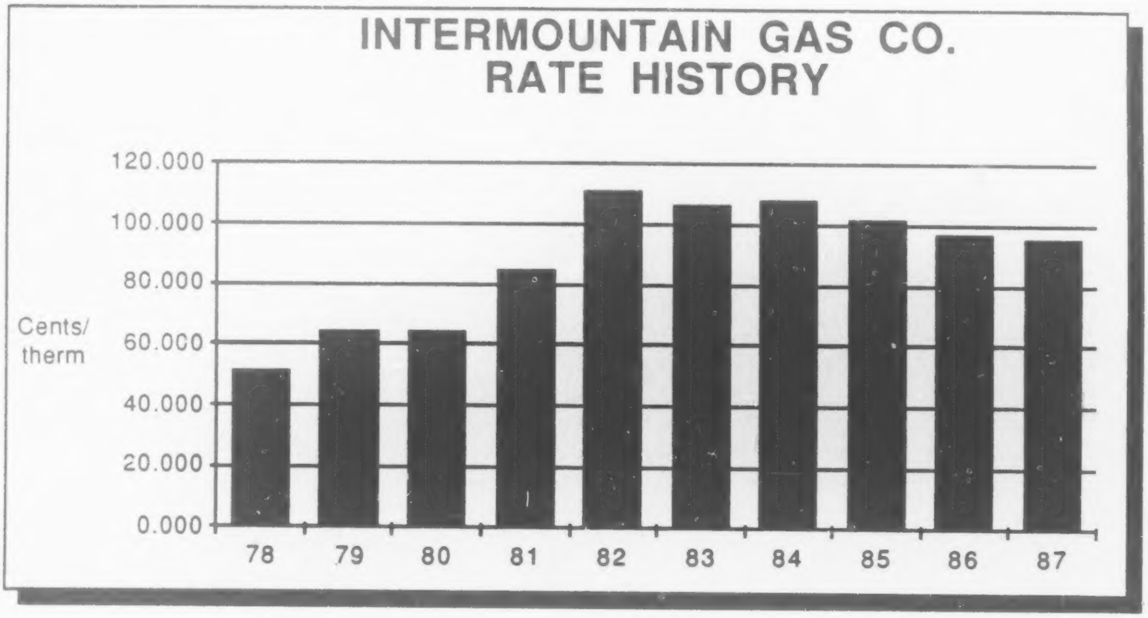
Case no. U-1034-		Synopsis	Order No.	Date
INTERMOUNTAIN GAS COMPANY				
142	5-05-87	Tariff schedule adjustments effective 5/1/87	21410	8-19-87
143	6-26-87	Increase charges in general service provisions	21352	7-24-87
144	9-01-87	Nu-West Industries contract	21583	11-13-87
146	9-02-87	Tracker rate increase	21476	9-25-87
147	9-15-87	Tracker rate decrease	21477	9-25-87
149	12-03-87	Application to defer rate changes	21678	12-29-87
INT-G-88- 1	3-04-88	Application to defer rate changes	21845	3-31-88

INTERMOUNTAIN GAS CO.

Tariff Changes	Residential 10 Therms	Residential 30 Therms	Residential 90 Therms
		Average Monthly Billing ($)	
2/16/82	10.25	23.07	61.55
10/1/82	10.49	23.81	63.76
11/1/82	10.49	23.80	63.73
12/1/82	11.06	25.50	68.83
4/1/83	10.94	25.17	67.83
4/30/83	10.72	24.51	65.86
10/1/83	10.54	23.95	64.19
4/1/84	10.92	25.08	67.58
7/1/84	10.85	24.87	66.94
11/1/84	10.62	24.20	64.94
5/1/85	10.59	24.11	64.66
6/29/85	10.50	23.83	63.81
10/1/85	10.22	22.99	61.30
11/1/85	10.08	22.57	60.04
4/1/86	9.66	21.33	56.31
11/1/86	9.59	21.12	55.69
1/1/87	9.45	20.69	54.39
2/9/87	9.59	21.11	55.67
4/1/87	9.82	21.79	57.70
5/1/87	9.62	21.20	55.93
7/1/87	9.50	20.84	54.85
10/1/87	9.63	21.23	56.04
10/1/88	9.10	19.64	51.26

INTERMOUNTAIN GAS CO.

Tariff Changes	Residential 10 Therms	Residential 30 Therms	Residential 90 Therms
		Relative Cost per Therm (cents)	
2/16/82	1.02	0.77	0.68
10/1/82	1.05	0.79	0.71
11/1/82	1.05	0.79	0.71
12/1/82	1.11	0.85	0.76
4/1/83	1.09	0.84	0.75
4/30/83	1.07	0.82	0.73
10/1/83	1.05	0.80	0.71
4/1/84	1.09	0.84	0.75
7/1/84	1.08	0.83	0.74
11/1/84	1.06	0.81	0.72
5/1/85	1.06	0.80	0.72
6/29/85	1.05	0.79	0.71
10/1/85	1.02	0.77	0.68
11/1/85	1.01	0.75	0.67
4/1/86	0.97	0.71	0.63
11/1/86	0.96	0.70	0.62
1/1/87	0.95	0.69	0.60
2/9/87	0.96	0.70	0.62
4/1/87	0.98	0.73	0.64
5/1/87	0.96	0.71	0.62
7/1/87	0.95	0.69	0.61
10/1/87	0.96	0.71	0.62
10/1/88	0.91	0.65	0.57


INTERMOUNTAIN GAS CO.
RATE HISTORY
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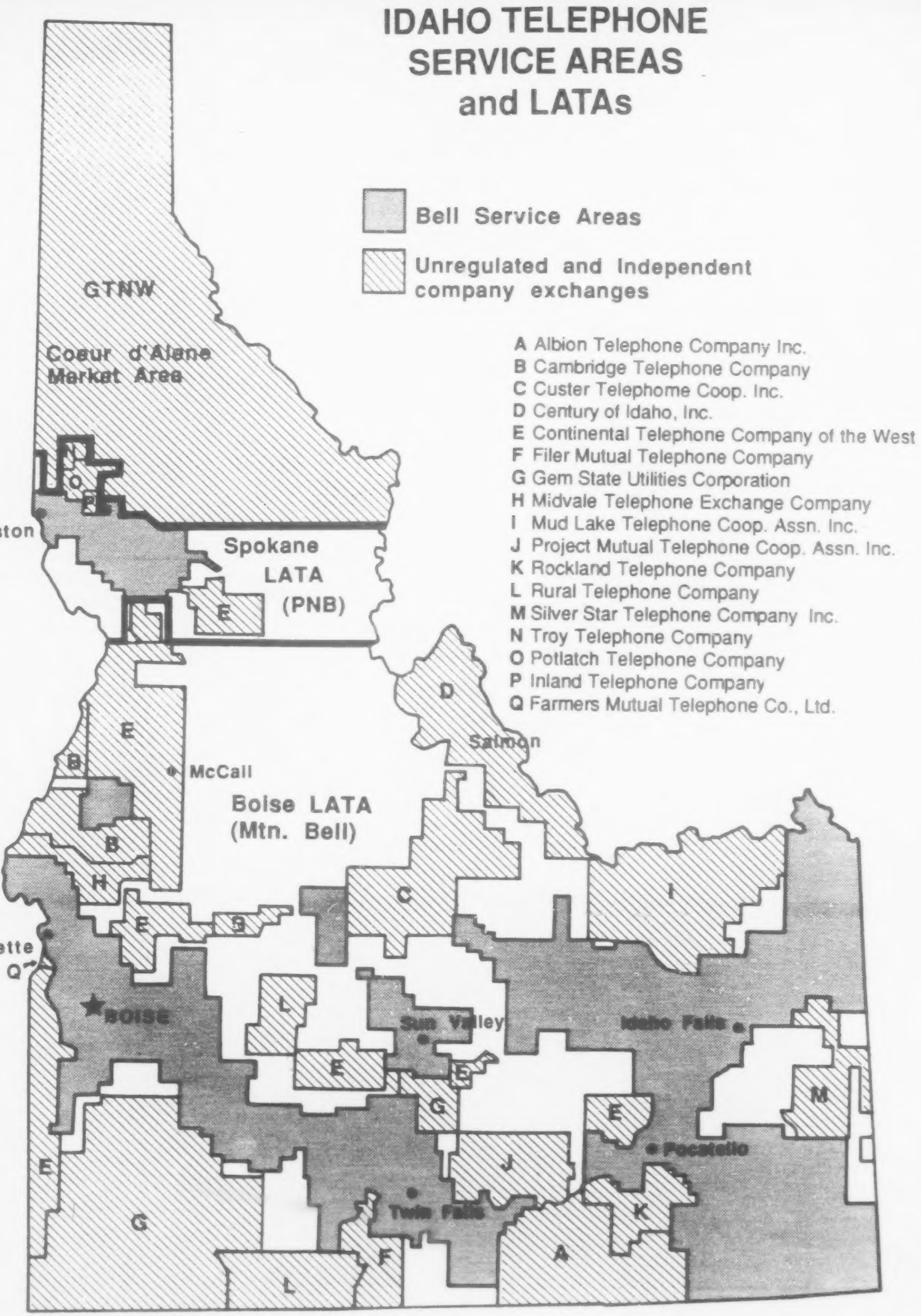
IDAHO TELEPHONE SERVICE AREAS and LATAs



▨ Bell Service Areas

▨ Unregulated and Independent company exchanges

A Albion Telephone Company Inc.
B Cambridge Telephone Company
C Custer Telephome Coop. Inc.
D Century of Idaho, Inc.
E Continental Telephone Company of the West
F Filer Mutual Telephone Company
G Gem State Utilities Corporation
H Midvale Telephone Exchange Company
I Mud Lake Telephone Coop. Assn. Inc.
J Project Mutual Telephone Coop. Assn. Inc.
K Rockland Telephone Company
L Rural Telephone Company
M Silver Star Telephone Company Inc.
N Troy Telephone Company
O Potlatch Telephone Company
P Inland Telephone Company
Q Farmers Mutual Telephone Co., Ltd.

GTNW
Coeur d'Alene Market Area
N
O
P
Lewiston
Spokane LATA (PNB)
E
D
Salmon
E
B
McCall
Boise LATA (Mtn. Bell)
B
H
C
I
E
B
Payette
Q
BOISE
L
Sun Valley
Idaho Falls
E
E
G
E
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Pocatello
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Twin Falls
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TELEPHONE UTILITIES IN IDAHO

The Idaho Public Utilities Commission regulates seventeen telephone companies. Eleven of the 17 are quite small, serving fewer than 2000 customers per utility. The smallest, Inland Telephone, serves only 200 customers while the largest, Mountain Bell, serves about 315,000. Mountain Bell serves the larger, more populous southern part of the state and has more customers than all other telephone utilities in the state combined.

GTE (formerly General Telephone Co.) of the Northwest is the second largest telephone utility in the state. With about 67,000 customers in the Idaho Panhandle, General Telephone serves about the same number as the remaining 15 telephone utilities combined.

Pacific Northwest Bell serves 22,000 customers in the Lewiston area, making it the third largest telephone company operating in the state.

As a result of the federally ordered 1984 breakup of the nationwide Bell System, Idaho was divided into three telephone market areas or LATA's (Local Access and Transportation Areas). The southern Idaho or Boise LATA is served by Mountain Bell, 9 independent companies, and several cooperative and mutual companies not regulated by the commission. The Lewiston and Clearwater River area is part of the Spokane LATA and is served by PNB and three independent companies. GTE-NW alone serves the Coeur d'Alene market area.

Telephone companies may carry long-distance calls only within their own market areas -- intraLATA. Long-distance calls between market areas -- interLATA -- or from Idaho to another state -- interstate -- are carried by AT&T Communications.

Alternative long-distance companies like MCI Telecommunications operate in some of the more populous areas of Idaho. In 1987 the commission began an investigation of whether and how these currently unregulated companies should be regulated.

In early 1988, the legislature passed and the governor signed into law the Idaho Telecommunications Act, which allows companies to elect modified regulation of services other than basic local exchange service to five or fewer lines at one location. Enactment of the law rendered moot several cases the commission had been considering.

AT&T Communications, whose in-state long-distance service was regulated by the commission, notified the commission of its election to come under the provisions of the new law on July 1, 1988.

The commission retains its authority to review the quality, availability, terms, and conditons of services offered by "deregulated" phone companies. Upon complaint, the commission may hold hearings and order changes if the public interest is adversely affected.

Companies coming under the new law must file price lists with the commission.

TELEPHONE CASES OF GENERAL INTEREST

TREATMENT OF LONG-DISTANCE RESELLERS INVESTIGATED

Case Nos. U-1150-1, 1000-91, 1500-172

What should the commission require of those who compete for long-distance calls with the state's regulated telephone companies? That was the issue being addressed in several cases before the commission in 1987 and 1988.

The cases involved MCI Telecommunications Corporation, Tel-America of Salt Lake City, Northwest Telco, and other companies that resell the services of regulated telephone companies like Mountain Bell.

MCI asked the commission in August 1986 for permission to resell long-distance services within Idaho without commission regulation. MCI wanted to resell the access facilities of Mountain Bell and the transmission facilities of Western Tele-Communications Inc. The commission said MCI could offer its service while the question of how resellers of in-state long-distance facilities should be regulated is investigated.

In April 1987, Northwest Telco complained to the commission that Tel-America was unfairly paying lower, interstate charges for access to Mountain Bell's network while Northwest Telco paid higher, intrastate access charges to complete in-state long-distance calls.

Tel-America said that because all of its Idaho calls were carried to its switching office in Utah, they were interstate calls and qualified for Mountain Bell's lower, interstate access rates.

Northwest Telco and the commission disagreed with Tel-America. Both the IPUC and the Federal Communications Commission say that a call that originates and terminates in Idaho is an intrastate call and should billed accordingly. How the call is routed or switched, even if it is carried out of Idaho, does not matter.

Issues raised in the MCI and the Northwest Telco/Tel-America cases prompted the commission in June 1987 to open a generic case. The central question of the case was: How should the commission assure that resellers pay the proper charges for use of intrastate telecommunications facilities?

In August 1987, the commission ruled that for purposes of its jurisdiction and for access tariff billings, intrastate calls are those originated in Idaho by the calling party and terminated to a called party in Idaho.

LONG-DISTANCE RESELLERS TO BE REGULATED

Case No. U-1150-1, Order No. 21537

Rejecting Mountain Bell's "legal syllogisms," the commission in November 1987 said it would regulate companies like MCI that compete with already regulated phone companies for in-state long-distance calls.

"The existence of a monopoly is not the prerequisite to regulatory authority," the PUC said. "We reject the contention of Mountain Bell, Troy and Century Telephone, which stated in its simplest terms that if monopoly disappears, regulation must, as a matter of law, also disappear."

Mountain Bell had argued that Idaho is a "regulated monopoly" state. The commission's only alternatives, the company said, are to declare long-distance competition illegal or to declare that markets subject to competition are not public utility services and so not subject to commission regulation.

"Protection of the public interest, not the existence of monopoly, is the basis of the right to regulate," the commission said, citing several U.S. and state supreme court decisions.

"We must deal with the realities of the telecommunications industry presented to us," the commission wrote. "The fact is that multiple providers exist. It is further a fact that the telecommunications network is of vital public interest. It is critically important that the system operate without discrimination and in a manner to promote universal, affordable access to the system.

"Given the analysis set forth above, and guided by our overriding obligation to protect the public interest, we need not be bound by legal syllogisms advocated by Mountain Bell," the order said. "In this sense it is true that 'the life of the law is not logic, but necessity.' Accordingly, we conclude that the commission has the legal authority to issue multiple certificates of convenience and to exercise regulatory control over competing providers of telecommunication services."

Commission President Perry Swisher responded even more strongly to Mountain Bell's argument. In a separate concurrence, Swisher blasted as "dogma" Mountain Bell's premise that telephone competition is inevitable and desirable.

"Mountain Bell strongly urges the commission to adopt Mountain Bell's analysis, and to conclude that the intraLATA toll market should no longer be regulated as a public utility service," the company said.

"Mountain Bell wants the commission to join in an ideological crusade," Swisher said.

"The legislature makes policy for Idaho as the legislature did in 1913 when an Idaho regulatory commission was created," Swisher said. "Now it is not to be consulted. We on the commission are to determine that competition, an unassailable good, having appeared in telephony, utterly supplants the need for any surveillance in whatever sector competition appears."

The November 1987 order concluded that the commission has the authority to issue multiple certificates of convenience and to regulate competing phone companies.

In December 1987, the commission ordered long-distance resellers to report what percentage of the calls they handle are interstate and what percentage are entirely instate. To assure that the appropriate access charges are being paid, the commission told the companies to conduct independent audits of their call percentages.

"This audit requirement has nothing whatever to do with the manner in which the Commission may determine to regulate resellers," the commission said in a March 1988 order telling U.S. Sprint Communications Co. to comply with the reporting and auditing requirements.

"We also note that passage of House Bill 687 in the 1988 Idaho Legislature will outline the regulatory requirements for alternative providers of intrastate telecommunication services," the commission said.

In June 1988, the commission dismissed MCI's certificate application without a determination on the substantive issues involved because enactment of the Idaho Telecommunications Act of 1988 made those findings moot.

BLOCKING OF PAY-PER-CALL INFORMATION SERVICES

Case No. U-1500-173

In October 1987, the commission told the state's telephone companies that they must allow their customers at no cost to reject "information" services that, when dialed, play a recorded message or provide an open discussion line for a charge.

"Typically, a caller to one of these services is charged between 50 cents to several dollars to hear pre-recorded jokes, stories, news or sports scores," the commission said. "All too often, telephone subscribers are first introduced to these services when their monthly bill itemizes charges for calls made by their children or children's friends.

"The commission has been concerned about these information calls since the inception of the service," the commission said. "We have issued news releases to warn customers of the services and the potential for abuse.

"We believe it is fair, just and reasonable to allow customers the opportunity to restrict their telephone lines from such information service providers without having to pay a fee for the 'protection,'" the commission said. "We will allow existing customers an enrollment period to choose to have such protection without charge. If they choose not to enroll during the free period, a service order charge will be billed for any such subsequent change in service."

The types of information services of concern to the commission are those usually reached by dialing the prefixes 430, 499, 900, and 976. Mountain Bell uses the 976 prefix and calls the service "Scoopline." AT&T, using a 900 prefix, offers a similar interstate service. Pacific Northwest Bell offers "Gabline," a conference-type open discussion line for adults and teenagers available through the 499 prefix. Using the 430 prefix, PNB offers VuPoint Polling

Services which enable callers for a charge to record their opinions by dialing a special number.

The commission ordered Idaho's regulated telephone companies to provide customers a service that will block calls to those numbers. Phone companies whose equipment makes the call-restriction service impracticable will not be required to provide it.

The companies must provide a 60-day free enrollment period for existing customers to have their lines blocked. New customers must be given the option when ordering service. After the free enrollment period, customers may be billed the normal service charge to have the blocking service installed on their lines, but there can be no monthly charge for the blocking.

In May 1987, Mountain Bell proposed a one-time charge of $13.50 to restrict residential calls to Scoopline numbers with the 976 prefix. No monthly rate was proposed. The commission rejected the proposal as not adequately addressing its concerns for customers' ability "to protect themselves from unauthorized calls made from their phones to those services."

The commission said companies could offer for a fee a service allowing the customer to deactivate the call restriction by dialing a special code.

The commission will review the effects of the call-blocking service in early 1989.

LIFELINE PROGRAM ADDS 6 TO 9 CENTS PER MONTH TO LOCAL PHONE BILLS

Case No. U-1500-175

In November 1987, the commission approved a surcharge, which varies from 6 cents to 9 cents depending on the company, to reimburse local exchange companies for revenues lost by implementing the "Lifeline" telephone assistance program approved by the 1987 Idaho Legislature.

The Lifeline program provides a discount for elderly low-income phone subscribers. Under the assistance program, the $2.60 federal subscriber line charge is removed from an eligible customer's bill and an equal amount is deducted from the customer's local monthly service charge. The total Lifeline discount is $5.20 per month.

Idaho's telephone assistance law requires the Idaho Public Utilities Commission to impose company-specific uniform monthly surcharges on each business and residential phone line to reimburse each company for both the Lifeline discounts and the expenses of administering the program. The commission adopted a formula for calculating the administrative costs, taking into account the number of Lifeline applicants and the number of non-eligible customers served by each company.

IN-STATE TOLL CARRIER PAYMENT METHOD CHANGED

Case no. U-1500-177, Order No. 21996

In June 1988, the commission agreed to change the way in-state long distance companies pay for local exchange access to carry calls among Idaho's three telephone market areas or LATAs (local access and transport areas).

The commission adopted a usage-based, carrier common line charge (CCLC) favored by the telephone industry in place of a flat-rate, universal local access service (ULAS) tariff favored by the commission staff.

The charges are used to recover part of local companies' non-traffic sensitive (NTS) costs, costs not directly related to the amount their systems are used. The commission has been concerned that such costs not fall entirely on local calling but be shared by long-distance carriers who benefit from the existence of the local exchange network.

In 1983, the commission adopted the flat-rate, ULAS approach that assessed NTS costs on calls from one market area to another on the basis of the carrier's installed capacity. At that time, it was thought that AT&T would be the only interLATA carrier in Idaho in the near future and that when competition did appear it would be from resellers of AT&T's facilities.

Also in 1983, the Federal Communications Commission (FCC) was planning to shift all interstate NTS costs onto the local bill through end-user access charges. The Idaho commission tried to allow customers willing to forego long-distance service to escape the federal subscriber line charge but was overruled by the FCC. The commission adopted the flat-rate local access charge to ensure that in-state long-distance carriers would pay some of the local network's fixed costs.

"Many things envisioned in 1983 have not occurred," the commission said in its order adopting the industry preferred method. "The FCC was forced by political pressure to tone down its scheme.

"Intrastate interLATA toll is being provided by companies that do not resell AT&T's services and are not facilities based carriers," the commission said. "All carriers operating in the Idaho toll market must share the intrastate NTS cost burden. The fact that except for AT&T they have not done so for interLATA calls is not the fault of the ULAS tariff. It appears there has been a failure to properly interpret, apply and enforce ULAS by nearly everyone involved with it.

"We find the underlying philosophy of ULAS remains sound and viable," the commission said. "However, we recognize the changed circumstances and are willing to allow the industry to use a CCLC for interLATA NTS cost recovery."

The commission said that the CCLC is not a long-term solution and encouraged telephone companies to explore alternative rate designs.

"The commission is not blind to the possibility that some may interpret this move from ULAS to CCLC as a green light to resurrect the previous proposals to shift more, or even 100 percent, of NTS costs to local service," the commission said. "Such and interpretation of this order would be erroneous. The accommodation to industry that we allow by this order does not reflect a change in our previously stated policy on NTS costs and subscriber line charges."

ALTERNATIVE OPERATOR SERVICE RULES ADOPTED

Case no. GNR-T-88-3, Gen'l Order No. 178

In September 1988, the commission adopted rules for alternative operator services doing business in Idaho.

The rules assure that callers are notified before their call is connected to an AOS, that they cannot be charged for uncompleted calls, and that their local phone service cannot be shut off for nonpayment of AOS charges. The rules also require that AOS providers be able to handle local emergency calls and that a company service representative be available for complaints and questions.

Alternative operator services (AOS) usually lease long-distance lines from companies like AT&T or MCI and combine that service with their own operator services. Hotels, motels, hospitals, colleges, private pay phone owners, and other businesses with phones available to transient users often contract with an AOS company and receive a commission for each call placed through the service.

Typically callers are connected to an AOS provider when they make long-distance calls from a facility under an AOS contract. When the caller dials "O," the call is automatically routed to the AOS provider. During 1988, the Idaho commission, other states, and the Federal Communications Commission have received many complaints concerning AOS.

"Customers complain that they are unaware that their calls are being completed by an AOS provider," the commission said when it proposed AOS rules in April 1988. "This is especially true when using a MCI, U.S. Sprint, AT&T or a Bell operating company credit card to bill the call.

"In one instance a customer used his AT&T calling card and placed a call from a motel in Salt Lake City," the commission said. "He was billed by International Telecharge, Inc. $8.17 for an 11 minute call. The same call handled by AT&T would cost $3.74, a difference of $4.43. The customer was unaware that his call was being placed by an AOS.

"In another complaint, the customer placed two calls from Vancouver, Washington, to his home in Middleton, Idaho for a total of 18 minutes using his AT&T calling card. The charge was $36.71," the commission said. "This customer was also unaware that his call was being handled by an AOS. These calls should have cost approximately $5.40."

STATEWIDE FUND TO ENSURE UNIVERSAL PHONE SERVICE

Case No. U-1500-174, Order No. 21958

In February 1988, the commission adopted a Universal Service Fund "to ensure that reasonably priced telephone service will be available to all telephone customers in Idaho."

In July 1988, Idaho telephone users began paying a small surcharge on their local and long-distance bills. The monies are collected and used to offset the high costs of several small phone companies.

"The intrastate Universal Service Fund . . . is designed to protect local exchange rates for one-party single-line service from exceeding 125 percent of the statewide weighted average rates for that type of service," the commission said. "In addition, the USF is designed to protect toll access rates cf local exchange companies from exceeding 125 precent of the statewide average for those rates. Funds to support the Universal Service Fund will be collected by two charges: an end user surcharge on local exchange access and an end user surcharge on toll services."

To collect for the fund, a local exchange surcharge of 3 cents for residential and 7 cents for business customers is added to the monthly bill. A half-cent per minute surcharge was added to in-state long-distance rates. In November 1988, the long distance surcharge was lowered to 0.4 cents.

The fund was expected to collect about $1.5 in its first year. It is administered by Craig J. Phillips, who administers similar funds for the states of Oregon and Washington.

Adoption of the high cost fund was the result of an investigation begun in July 1987 following applications from several independent phone companies seeking steep local rate increases. Citing requests to raise rates as much as 500 percent, the commission told all of the state's regulated phone companies to report on the pressures causing such increases.

The investigation led the commission in November to ask the companies to come up with a consolidated recommendation for a high cost fund which would allow all local exchange companies to keep reasonable, affordable rates. In December the companies filed a proposal for the creation, operation, and administration of an Intrastate Universal Service Fund for Telephone Services, which the commission adopted.

With the passage of the Telecommunications Act of 1988, the Idaho Legislature codified in law the USF plan adopted by the commission. The act requires the commission to "establish a universal service fund for the purpose of maintaining the universal availability of local exchange service at reasonable rates and to promote the availability of message telecommunications service at reasonably comparable prices throughout the state of Idaho."

A high-cost company receives from the fund a minimum of 75 percent of the amount needed to keep its rates from exceeding 125 percent of the statewide average. The commission has the flexibility of funding the remaining 25 percent of the company's requirement from the universal service fund or from the company's rates.

The commission allows flexibility in the way the toll surcharge is collected as long a company's billing method does not place a disproportionate burden on long-distance users. For instance, some companies may elect to absorb the surcharge. Surcharge revenues are paid into the fund monthly.

The first part of the order establishing the USF describes the forces which have been driving up local phone rates and outlines the reasons the commission is committed to the goal of universal service:

The History

1. Introduction:

The rates or prices charged by a regulated utility are a function of costs. The Public Utilities Commission sets rates after determining a company's allowable costs and investment coupled with a fair rate of return on the investment. Prices for utility services are thus determined by a mechanism much different than prices charged by competitive businesses in which market forces of supply and demand are at work and in which price in not necessarily related to cost.

Complicating the rate setting process for telephone companies is the fact that telephone companies typically have operations both in the state of Idaho and in interstate commerce. State regulatory commissions have jurisdiction over intrastate operations; the Federal Communications Commission (FCC) regulates interstate operations. This system of dual regulation requires the assignment of costs, for ratemaking purposes, either to the intrastate or interstate jurisdiction. This is accomplished through an elaborate accounting process known as "separations" by which companies are, in an accounting sense, separated into intrastate and interstate operations.

Finally, by way of introductory comment, it is important to understand that there is a difference between cost allocation and cost recovery. Costs may be allocated in one fashion and recovered in another.

2. Cost Allocation–Federal Actions:

A large portion of the costs of each local company is fixed in the sense that it does not vary with the amount of traffic carried or the number of calls made. These costs are known in the industry as "non-traffic sensitive" (NTS) costs. Some NTS costs are incurred in providing the linkage between each subscriber and the local telephone office that gives the subscriber access to the entire telephone network.

From about 1943 through 1980, a large percentage of NTS costs were allocated to and recovered from interstate service. The allocation was accomplished through a measure of relative usage known as the subscriber plant factor (SPF). The SPF of Idaho companies ranged between 25% to 85%, meaning 25-85% of NTS costs were allocated to the interstate jurisdiction. Costs were recovered through a division-of-revenues process whereby interstate toll revenues went in a pool and each company withdrew from the pool an amount equal to the costs it allocated to interstate service. Within individual states, similar mechanisms existed for allocating and recovering costs between local service and in-state toll.

The FCC has adopted a new allocation process that shifts NTS costs away from the interstate jurisdiction to the intrastate jurisdiction. As a result, an ever increasing percentage of NTS costs have to be recovered from local service or intrastate toll. The FCC was motivated by a desire to promote competition among long distance providers and thus sought to drive down rates for interstate toll rates.

The new allocation method is not related to usage. Instead, companies will simply allocate 25% of their NTS costs to the interstate jurisdiction and 75% to the intrastate jurisdiction. This is to be accomplished over an eight year phase-in period. For most companies, intrastate costs increase each year between 1986 and 1993 until a full 75% of NTS costs is allocated to intrastate.

The FCC cost-shifting strategy continues today. Among other things, the FCC proposes to reallocate investment in the Central Office Equipment account in a manner that will significantly increase the investment to be recovered from the intrastate jurisdiction. Also, the FCC proposes shifts in various other components of company accounts.

3. Cost Recovery–Federal Actions:

While the FCC was shifting costs to the intrastate jurisdiction, another major event occurred that affected how costs would be recovered: a U.S. Federal District Court ordered divestiture by AT&T of the Bell Operating Companies. This has rendered the prior settlements process unworkable because the court prohibited AT&T from sharing revenues or a rate of return with the Bell Companies.

The FCC thus began implementation of a new system for the recovery of costs assigned to the interstate jurisdiction. Under the new system, local phone companies recover their interstate costs from two sources: first, from fees, known as access charges, paid by long distance carriers to the local company for use of its system to complete long-distance calls; and second, from flat monthly fees paid by subscribers, known as Subscriber Line Charges. As this plan is phased in, the proportion paid by long-distance carriers declines. The residential Subscriber Line Charge is $2.60 now and scheduled to increase to $3.50 by April 1989. Business customers pay $6.00 per line per month.

In short, despite its apparent complexity, the FCC strategy has two prongs. First, it shifts cost to the intrastate jurisdiction with the result that both local rates and intrastate toll rates are forced upwards. Second, of the remaining interstate costs, an increasingly larger percentage is recovered from charges paid by subscribers, also resulting in increased cost to the end-user.

4. Cost Allocation–Idaho Response:

The Idaho commission, along with other state commissions, has been forced to struggle with the consequences of FCC and federal court mandates. In Case No. U-1500-153 the Commission reluctantly adopted an NTS allocation method that mirrored the FCC approach. There, the Commission approved phasing to a Gross Toll Allocator (GTA) that assigned 25% of NTS costs to intrastate toll and 50% to local service, recognizing that 25% is in the interstate jurisdiction. For some companies, most notably Mountain Bell, General Telephone Co. of the Northwest, and Pacific Northwest Bell, this resulted in an increased allocation of costs to toll services; for smaller companies, the result was the opposite.

5. Cost Recovery–Idaho Response:

Just as divestiture brought an end to the nationwide toll division of revenue process, the similar system for recovering intrastate costs also disappeared. The Idaho commission has adopted a series of access charges similar in concept to the federal access charges, although the commission rejected any use of Subscriber Line Charges. In general, smaller companies' income resulting from access charges is less than that received previously from toll settlements. This increases the pressure on local rates because as income from toll declines, local rates must rise in order for the company to recover its total revenue requirement.

6. Emergence of In-state Competition:

The forces described in the preceding paragraphs flow from the growth of competition among interstate long distance providers. These forces may be magnified by the emergence of similar competitive activity in the intrastate market. For instance, the commission has pending before it an application of MCI Telecommunications Corp. for authority to provide intrastate toll services on a competitive basis. If the commission approves the application, and in the absence of the solution we propose today, we can anticipate additional upward pressure on local rates. If competition forces intrastate toll revenues downward, the effect on local service rates will be the opposite. If competition induces some customers to choose alternative facilities, the fixed costs of the public network will have to be born by a smaller number of customers who are unable to select alternatives.

7. Summary:

The data provided by the parties in their written responses to Order NO. 21333 confirm in numerical form the preceding narrative. We need not review the numerical data here. The consequences of the events described above is best illustrated by our recent experience in the general rate cases for two small companies serving rural communities--Rockland and Albion Telephone Companies. In those cases, application of the methodologies mandated by existing FCC and commission orders would have resulted in monthly local service rates of $27.75 and $33.25, respectively. Testimony in the Rockland case indicated that if rates were raised to that level, 40% of the existing subscribers would leave the system.

In short, the previously described events threaten the goal of universal service and make necessary the solution we adopt in this Order.

Universal Service

This commission has an historic commitment to the goal of universal service, the precept that every citizen should have affordably priced access to the local and national telephone network. This goal is important for at least three reasons:

1. Network considerations: Each additional subscriber increases the value of the system to all other subscribers by providing the opportunity to communicate with a larger number of persons.
2. Contribution to society: Like the national system of roadways, the telephone network binds society together.
3. Importance to individuals: Telephone service is essential for individuals to conduct their business and personal affairs and to reach assistance in the event of emergency.

BLOCKING LONG-DISTANCE CALLING FOR UNPAID BILLS

Case No. GNR-T-88-1, Order No. 21910

In May 1988, the commission said Mountain Bell and Pacific Northwest Bell may offer a service enabling them to restrict access to long-distance companies for customers who do not pay their long-distance bills. The call-blocking service will be offered as an option to interexchange carriers who want to stop customers with undisputed overdue bills from using their networks.

In February, the Bell companies asked the commission for authority to offer Equal Access Restriction Service (EARS) in exchanges equipped to handle it [see list below]. If a long-distance carrier asks that a customer's calls be blocked for nonpayment, the customer will be unable to complete long-distance calls through any of the carriers subscribing to EARS.

The commission approved EARS as a transitional service to be offered only until the companies are able to selectively block access to a specified carrier. The commission also said that the companies must notify customers in writing at least seven days in advance of disconnection, as required by the commission's telephone customer relations rules.

"We find EARS reasonably balances the interexchange carriers' need to have an option available to protect their networks from nonpaying end users and the end users' need to have access to the network by restricting only the services for which payment was not made and concerning which no dispute exists," the commission said.

Where EARS is available, customers cannot be cut off from their local exchange for nonpayment of toll charges. However, in those exchanges where EARS is not offered, the local phone company may continue to disconnect local service for nonpayment of charges for toll services.

PHONE DEPOSIT INTEREST RATE REDUCED

Case No. 31.D-R-88-1, Order No. 21767

In February 1988, the commission reduced the interest rate that telephone companies must pay on deposits they require from some customers.

Previously the commission's Telephone Customer Relations Rules adopted by reference the statutory interest rate set by the Idaho Legislature, which was 12 percent. The commission changed the interest rate on deposits held by telephone utilities to be the same as that for energy and water utilities.

The commission recently adopted a rule for energy and water utilities which bases deposit interest rates on the previous year's average U.S. Treasury bill rate. Thus, on Jan. 1 the interest paid on electric, gas, and water deposits dropped to 7 percent, the rounded average T-bill rate from November 1986 through October 1987.

The 7-percent rate became effective for telephone companies on March 1, 1988.

GENERIC TELEPHONE CASE LISTING

Case No. U-1500-		Synopsis	Order No.	Date
163		Deregulation of inside wire	21301	7-01-87
164	1-07-87	Investigation of federal tax code revision effects	21856	4-11-88
168	4-02-87	EAS between Nu Acres and Fruitland	21459	9-17-87
170		PURPA policy review	21734	1-27-88
171	5-26-87	Holbook-Stone EAS petition	21931	5-27-88
172	6-12-87	Investigation of telecommunication reseller practices	Proposed	4-18-88
173		Restriction services for calls to information services	21496	10-08-87
174		Universal telephone service fund investigation	21958	6-16-88
175		Telephone Assistance Program cost recovery	21713	1-12-88
176		Contributions in Aid of Construction tax treatment	21933	6-03-88
177	2-26-88	Universal Local Access Service tariff	21996	6-17-88
GNR-T-88-				
1		Equal access restriction service	21810	5-10-88
3		Rules for alternative operator services	GO178	8-30-88
4	6-24-88	Jeff Gaither third-party billings complaint	22068	8-12-88
U-1142-				
12	9-18-87	AT&T Megacom Certificate application case closed	22078	8-24-88

MOUNTAIN BELL TELEPHONE CO.

P.O. Box 7888
Boise, Idaho 83723
385-2000

The company at a glance:

No. access lines --	319,319
Rate base --	$199,823,000
Rate of return --	11.9%
Residential rate --	$12.52 per mo.

Mountain Bell is Idaho's largest telephone utility. Its service area follows the Snake River valley from the Wyoming border north of Idaho Falls to the Oregon border near Payette. It covers most of the major population centers in the state including Boise, Nampa, Caldwell, Mountain Home, Twin Falls, Pocatello, and Idaho Falls. With about 319,000 customers Mountain Bell is larger than all other telephone utilities in the state combined and more than 4 times as large as the telephone company in second position.

MOUNTAIN BELL TELEPHONE CO. CASE REVIEW

NU ACRES-TO-FRUITLAND TOLL-FREE CALLING O.K.'D

Case No. U-1500-168, Order No. 21459

In September 1987, the commission ordered Mountain Bell to implement extended area service (EAS) between Nu Acres and Fruitland despite company claims that the toll-free service is anti-competitive.

In March 1987, the commission received petitions from Nu Acres and Payette County residents requesting EAS among various nearby telephone exchanges. In April the commission told Mountain Bell and Continental Telephone to respond to the petitioners concerns.

Responses were received from both companies and from Farmers Mutual Telephone Co., the unregulated company that serves the Fruitland area. Farmers stated a willingness to provide toll-free service between Fruitland and Nu Acres and estimated that the cost would be minimal.

Mountain Bell, which serves Nu Acres, opposed implementing EAS between Fruitland and Nu Acres. The company said that EAS is "inconsistent with the present economics and competitive direction of the telecommunications industry."

"We disagree with Mountain Bell's characterization of EAS as anti-competitive," the commission said. "Any existing exchange boundary precludes toll competition within that exchange. That is not anti-competitive. It is a recognition that demographic, cultural, social, economic, political and other important considerations have resulted in the definition of an area within which there will not be toll charges made.

"This granting of EAS recognizes that exchange boundaries have not been changed as the communities grew," the commission said. "EAS is one alternative to requiring exchange boundary changes as communities expand.

"We recognize that in many instances Metropac or other discounted toll calling programs are a preferable substitute for regular toll rates or EAS; this is one that requires that toll free calling be implemented," the commission said. "The call data presented clearly establish that usage warrants toll-free calling between Nu Acres and Fruitland."

The commission said that information provided about calling among other nearby communities did not warrant granting EAS. Petitioners had requested that Fruitland, Nu Acres, Payette, New Plymouth, and Weiser, Idaho and Ontario, Vale, and Nyssa, Oregon be included in their calling area.

COMPLAINT DISMISSED, EARNINGS INVESTIGATED

Case no. MTB-T-88-2, Order No. 21995

Dismissing a complaint filed by the Idaho Citizens Coalition, in June 1988 the commission told its staff to start an investigation into the rates and earning of Mountain Bell.

"As the Coalition acknowledged at the hearing, the events and circumstances that precipitated the complaint were no longer significant," the commission said in dismissing the complaint, which was prompted by Mountain Bell advertisements in early February.

The ads requested public support for pending legislation Mountain Bell said would have saved ratepayers $18 million had it been law since 1983. The bill was changed substantially before passage, rendering moot many issues raised by the complaint, the commission said.

"Although we have dismissed the complaint, we agree with those parties that requested us to initiate a preliminary investigation into the company's rates and earnings," the commission said. Enactment of the Idaho Telecommunications Act and major changes affecting Mountain Bell's revenues since its rate of return was set in 1984 make such an investigation reasonable.

"This preliminary investigation into the company's rates and earnings should not at this time be viewed as a departure from our desire to expense the intrastate portion of the digital upgrade project," the commission said.

"As the commission noted in January 1987, expensing of the digital upgrade project will adequately safeguard ratepayers from paying a return on the approximately $40 million intrastate investment and, at the same time, provide Idaho with telecommunications 'superior to any non-metropolitan expanse in the nation,'" the commission said. "That order also held out the possibility of an earnings examination in future years of the project.

"It is Mountain Bell's current excess earnings that are being used to expense, rather than capitalize, the upgrade project," the commission said. "The Telecommunications Act has not changed our duty to ensure that a utility's rates and earnings be just and reasonable."

At a June 7 prehearing conference, the commission staff said that dismissing the Citizens Coalition complaint and starting a preliminary investigation would "clean up" procedural aspects of the case. A new case, established on the commission's own motion, eliminates any question about who has the burden of proof and enables the Coalition to be eligible for intervenor funding.

Mountain Bell also urged the commission to dismiss the complaint. The company said that its regulated services may be significantly cross-subsidized by soon-to-be-deregulated toll and access services. If the Coalition's complaint developed into a full blown rate case, the company said it had information that "would argue strongly for an increase in basic local exchange rates. That is not Mountain Bell's desire."

In exchange for dropping the complaint, Mountain Bell offered to freeze basic service rate for 1989, continue to expense at least $10 million for the digital upgrade in 1989, and to absorb increased operating expenses for 1988.

"It is premature for us to address the company's offers of rate stability and minimum project expenditures for 1989," the commission said in its order. "An examination of these issues is more appropriate at such time as we complete our preliminary investigation."

The commission said it will also begin an examination of how to divide costs between Mountain Bell's regulated and deregulated services when the company files its notice to come under the new provisions of the Telecommunications Act.

TOLL RATES DROP, LOCAL RATES TO RISE

Case No. MTB-T-88-3, Order No. 21949

In June 1988, the cmmission, approved accounting and allocation changes that shifted some Mountain Bell costs from long-distance to local telephone service, resulting in an overall 3 percent reduction in toll rates and a 5.4 percent increase in local rates.

The company proposed reducing in-state long distance rates by $2.9 million effective July 1, 1988. The actual percentage rate decrease varied depending on calling distance but averaged about 3 percent.

A local rate increase of $4.3 million was to go into effect Jan. 1, 1989. The increase would not apply to custom calling, local pay phone, or Centron charges. At the same time, the monthly directory assistance allowance was reduced from three to two free calls, with the rate remaining at 30 cents for each call after the two free directory assistance calls per month.

The major reason for the shift was a reduction in the proportion of non-traffic sensitive (NTS) costs to be recovered from long distance charges. NTS costs are telephone system costs that have to be paid regardless of the number of calls carried or how long the calls last.

In mid-1988, 19 percent of Mountain Bell's NTS costs were paid from long distance charges. With the implementation of Idaho's Universal Service Fund, only 15 percent of the company's NTS costs are paid from toll rates. The change required a shift of about $4.3 million from toll to local exchange services.

Revisions in the depreciation lives and salvage values of telephone equipment and other accounting changes effective July 1, 1988 were incorporated into the new toll rates. For this reason long-distance rates did not reflect the full amount of the shift in NTS costs.

PAY PHONE PRACTICES

Case no. MTB-T-88-5, Order No. 21959

Prompted by the announced demise of a private pay phone company and other complaints, in June 1988 the commission began an investigation of Mountain Bell's pay phone practices.

"Are our current policies and procedures concerning public telephones sufficient to promote equitable competition in the marketplace?" the commission asked in initiating an investigation into "the reasonableness of Mountain Bell's pay telephone practices."

The commission wanted to know how Mountain Bell decides where and when to remove or install pay phones, and how the company decides on commissions paid to businesses where the phones are placed.

The commission also wanted to know how much information is shared between Mountain Bell's vendor services office in Denver and the company's Idaho pay phone sales and marketing personnel. The Denver office coordinates the installation of the private access lines rented from Mountain Bell by private pay phone owners.

In April, Dean Arnold, president of Intermountain Communications, told the commission he was withdrawing from the private pay phone market because of Mountain Bell's alleged unfair practices.

Arnold said that Mountain Bell solicited pay phone locations from businesses with exclusive Intermountain agency agreements and offered higher commissions if they would convert to Mountain Bell pay phones. Mountain Bell moved in on specific locations in Boise and Nampa where Intermountain had "exclusive agent" agreements, he said.

Arnold accused Mountain Bell of trying to place pay phones at Intermountain's high-earning locations. He also said Mountain Bell refused to divulge timely revenue information for pay phone locations when Intermountain tried to find out if the locations were profitable.

In ordering the investigation, the commission told both Mountain Bell and Intermountain to report usage, revenue, and contract information for the specific phones mentioned in Arnold's complaint.

UNLIMITED, FREE TIME-OF-DAY CALLS

Case No. U-1000-97, Order No. 21782

In February 1988, the commission approved a Mountain Bell proposal to offer time-of-day announcements to all of its Idaho customers through a single toll-free number-- 1-844-TIME (1-844-8463).

The PUC order followed an earlier federal court ruling affirming a commission finding and previous court rulings that free time announcements are "obviously in the public interest."

Judge Harold Greene, who oversees the agreement that broke up the nation's telephone system, on Feb. 8 ruled that the Idaho PUC was correct in finding that Mountain Bell should give its customers the time of day without charge even though an alternative provider offers the service for a fee.

"Time and weather announcements are a unique type of information service," Greene said. "They have traditionally been associated with the local telephone companies; the states -- or here, at least the State of Idaho -- are desirous of having the service continue; and for many individuals they are an expected feature of their basic service.

"The provision of time and weather information, particularly on a public service basis, is 'obviously in the public interest,'" Greene said, quoting from his prior ruling. "This conclusion is strengthened by the enthusiasm with which . . . the Idaho Public Utilities Commission . . . attempted to require the operating companies to offer free time and weather information.

"As experience has shown, the public cannot rely on the current plans of alternative providers as a guarantee of their continued existence," Greene said. "Business decisions can be made overnight to alter the cost structures associated with the service (i.e., from advertiser-supported to consumer-supported), or to terminate operations.

"Should such changes take place, the consumer would be denied free access to this useful and necessary information," Green said. "In view of the high consumer demand for free time and weather information, . . . there appears to be no need to exclude from the market the very providers which are most likely to provide consistent services of that nature."

In October 1987, the IPUC told Mountain Bell to provide free time announcements when Ad-Time, a time-of-day provider in the company's largest exchanges, began charging for the calls. Mountain Bell claimed that Judge Greene's rulings prevented them from providing the service without a waiver.

Since 1984, Ad-Time had been providing the time without charge, along with an advertising message, to anyone calling the time-of-day numbers previously operated by Mountain Bell in its most populous exchanges. However, in October Ad-Time began offering time announcements only through a 29-cents-per-call 976- number, which requires callers outside Boise to pay toll charges.

The IPUC told Mountain Bell to provide the time through its directory assistance operators, who have the time flashing on their work station screens. The caller could request the time, or the time and a phone listing, and have the call counted as one of the three free directory assistance calls allowed each month. After the three free calls, customers would be billed the existing 30-cent charge for each additional directory assistance call in the month.

In its February order, the commission told the company to reserve the numbers it had formerly used for free time announcements in case alternative providers might want to use them.

The 1988 time-of-day case is not the first in which the IPUC has addressed the issue of its authority to order a Bell company to provide free time announcements.

In 1984, Pacific Northwest Bell tried to stop giving free time announcements and allow Tel-Time, an alternative provider, to do so for 25-cents per call. The commission ordered the company to continue providing the service free of charge.

PNB, like Mountain Bell, argued that the rules surrounding the breakup of the national telephone system prohibitied the company from offering time announcements when an alternative provider is available.

In 1986, the Federal Communication Commission upheld the Idaho commission's contention that time announcements were never viewed as the kind of service which would be anti-competitive for a Bell company to offer.

"Allowing state commissions to regulate time-of-day services permits them to consider . . . jurisdictional factors and to weigh the public needs for the service and how this service best may be provided," the FCC said. "Moreover, we are herein presented with no reason why the need for our preemption of enhanced services regulation should apply also to longstanding public service offerings such as that under consideration."

MOUNTAIN BELL TELEPHONE CO. CASE LISTING

Case no. U-1000-		Synopsis	Order No.	Date
70	10-21-83	Amending Order 18872 issued 5/18/84	21774	2-22-88
78	6-25-84	Regulation/deregulation/detariffing case closed	22077	8-24-88
87	6-04-86	Quarterly reports on digital upgrade project	21848	4-06-88
91	4-24-87	Northwest Telco complaint	21433	8-31-87
93	6-23-87	William R. Dolbeer billing practices complaint	22025	7-07-88
95	5-29-87	Telephone Assistance Program Lifeline surcharge	21587	11-13-87
97		Time announcement services	21782	2-24-88
98	10-27-87	Alva D. Greene complaint		
100		Valley of the Pines petition	22027	7-12-88
MTB-T-88-				
2		Idaho Citizens Coalition complaint dismissed	21995	6-17-88
3	2-16-88	Revised depreciation rates and cost shifts	21949	6-10-88
4	2-03-88	Petition of residents of the Vallivue School District	21824	3-24-88
5	4-27-88	Pay telephone practices investigation	21959	6-17-88
6	4-29-88	Customer recorded intercept service tariff returned		
7	6-20-88	Preliminary rates and earnings investigation		
8	6-24-88	IXL Group complaint		
9	7-28-88	Elmer E. Specht telephone number changes complaint	22108	9-13-88
10	8-30-88	Disconnection and deposit policies	22115	9-15-88

GTE NORTHWEST, INC.

P.O. Box 1003
1800 41st Street
Everett, Washington 98201
(206) 258-5321

Coeur d'Alene - 772-8311

Moscow - 258-0268

The company at a glance:

No. access lines -- 74,547
Residential rate -- $9.78-15.50 per mo.

GTE (formerly General Telephone Co.) Northwest serves about 69,000 Idaho customers, making it the second largest telephone utility in the state. Its service area includes most of the Idaho Panhandle north of Lewiston as well as parts of eastern Washington and western Montana. Major population centers in Idaho served by General include Moscow, Coeur d'Alene, and the Silver Valley.

GTE NORTHWEST CASE REVIEW

DEARY-BOVILL-ELK RIVER TOLL-FREE CALLING OK'D

Case No. U-1002-62, Order No. 22034

Following a June 1988 public hearing in Deary, the commission ordered GTE to provide toll-free, extended area service among the communities of Deary, Bovill, and Elk River by Sept. 1, 1988.

A 68-cent surcharge was added to monthly basic residential rates when the toll-free service was implemented. For business customers the surcharge is $2.74 per month and $3.44 for key/PBX trunk customers. The rates could change as a result of the pending GTE rate case heard beginning Aug. 1 in Sandpoint.

At first, customers have to dial "1" plus the phone number when placing calls between the Deary and Bovill-Elk River exchanges. GTE-NW estimated that it would be nine months before the necessary equipment is installed to enable direct dialing between the exchanges.

"There is a strong community of interest between the two exchanges," the commission said in its July 1988 order. "A staff survey of customers signing the original petition indicates an average call volume between the two exchanges of 13 to 14 calls per month. Another significant indication of the close ties between the two communities is the fact that they share an elementary school in Bovill and a secondary school in Deary."

About 175 area residents petitioned the commission in May 1986 to order GTE to initiate a discounted, preferred area calling (PAC) service among the communities of Deary, Bovill, Moscow, St. Maries, Potlatch, Genesee, and Orofino. GTE opposed the change, saying PAC would cut company revenues about $24,500 per year and aggravate its toll deficiency.

In May 1987, the commission appointed a citizens committee to look into service and exchange issues throughout GTE's Idaho service territory. The committee suggested that PAC service be offered in the communities mentioned.

At a June 29, 1988 hearing in Deary attended by about 50 residents, Beverly Bafus said that PAC was being requested because most medical, government, police, and shopping needs are outside the local calling areas. She also noted that a majority of children must place long-distance calls to phone home from school. Other residents agreed with Mrs. Bafus.

The company proposed a TollPAC service providing a 30 percent discount on long-distance calls to any three exchanges within 50 miles of a customer's local exchange. The customer would pay a monthly minimum, which would vary from about $2 to $9 depending on distance.

The commission staff recommended toll-free extended area service between Deary and Bovill-Elk River if customers were willing to pay the additional surcharge. The staff also recommended adoption of the company's TollPAC proposal, with some changes, for calls to the other communities listed in the petition.

"We note that no decision regarding the proposals to offer TollPAC service to the other areas involved has been made today," the commission said. "We reserve our decision on that issue until such time as we reach a final decision following the commission's hearing to be held on Monday, August 1, 1988 at the Edgewater Motel, 56 Bridge Street, Sandpoint, Idaho."

HALF OF GTE'S RATE HIKE REQUEST APPROVED

Case No. U-1002-67, Order No. 21443

In September 1987, the commission approved $2,834,349 of the $5,661,653 rate increase requested by the General Telephone Co. of the Northwest in March. The commission also told the company to reduce the surcharge on long-distance calls within its North Idaho service area from 41.477 percent to 25 percent and to cap its mileage charges for rural service.

The $2.8 million increase was to be collected through a temporary 38.55 percent increase in local rates and slight reductions in evening and night/weekend long-distance discounts.

The additional revenue reflects an 11.50 percent return on equity and a 10.19 percent overall rate of return on the company's $62 million rate base. GTNW had requested a 14 percent return on equity and an overall rate of return of 11.77 percent.

The commission said that if the company removes confusions, inaccuracies, and inequities in its billing practices and exchange area boundaries, it will be authorized to earn a 12 percent return on equity and 10.45 percent overall. A 10.45 rate of return would allow the company to increase rates by $3,128,690, or an additional $294,341 above the $2,834,349 approved.

Citing public testimony by Rathdrum residents, the commission approved one-way extended area service (EAS) from Rathdrum to Coeur d'Alene. EAS allows toll-free calling from one exchange to another and is paid for by higher local rates.

In another order, EAS was approved between Priest River and Oldtown/Blanchard. The question of EAS among the communities of Spirit Lake, Bayview, Rathdrum, Post Falls, Hayden Lake, and Coeur d'Alene was left to the second, rate design phase of the case.

The company was also ordered to list the commission's Boise telephone number in the government sections of its local directories. That suggestion was made by a customer at the Post Falls public hearing. Jerry Kline of Rathdrum told of his difficulty in finding the number of the PUC.

In addition to increasing local rates, to collect its additional revenue GTNW was ordered to reduce its evening long-distance discount from 40 to 35 percent and its night/weekend discount from 60 to 50 percent. This change enabled the company to collect almost $300,000 in additional toll.

The rural mileage charge was capped at $12 for one-party service and at $9 for two-party service. Rural customers pay a $1 (one-party) or $.75 (two-party) charge per quarter-mile distance from their local base rate area. Some customers were paying as much as $60 a month in mileage charges.

The cap means that all customers living more than about four miles from their telephone exchange's central office pay the same maximum mileage charge. Revenues lost due to the cap amounted to about $213,000.

The surcharge on long-distance calls within General's North Idaho market area was reduced from 41.477 percent to 25 percent. The change in the surcharge reduced the company's toll revenue by about $990,000.

"The surcharge is too burdensome for ratepayers to be continued," the commission said. "It should be reduced with the lost revenue recovered through local rates."

The following table shows the combined revenue effects of the commission's orders in this case:

Rate Structure	Revenue Deficiency
Add'l revenue authorized	$2,834,349
Decrease toll surcharge to 25%	989,624
Capped mileage charge	213,267
NTS revenue requirement	19,463
Necessary Revenue	$4,056,702

Rate Structure	Revenue Increase
Decrease evening discount	$ 129,256
Decrease night/weekend discount	169,526
Increase local charges 38.55%	3,758,109
Revenue Generated	$4,056,891

The commission was critical of the company's attempt to recover expenses charged to its Idaho operations from GTE Services Corp. $66,225 of these expenses were disallowed.

"The company has not demonstrated that the charges it incurred from General Services Corp. are the result of arm's length bargaining or the product of a competitive market place," the commission said. "Despite the company's claim that these services were provided 'at cost,' it failed to establish the fact that the value or costs of the Service Corp. expenses were reasonable."

The commission was particularly critical of the company's treatment of GTE Laboratory expenses allocated to its Idaho operations. $162,881 of these expenses were disallowed because the company had failed to prove their reasonableness and to separate regulated from unregulated research projects.

"Our review of GTE Lab expenses was cumbersome because the company failed to comply with our previous order to itemize basic research expenses for GTE's unregulated companies," the commission said. "In addition, we found that many of the project descriptions defied basic comprehension, much less assisted us in determining which projects were for regulated or unregulated companies."

One project description was quoted as an example:

> ENHANCED USABILITY OF INTERACTIVE INFORMATION SYSTEMS: Understand how people can learn to exploit the functionality of computerized information access to help insure the success of interactive information systems.

"To this we can only reply that the company should learn how to exploit the functionality of information accessible through syntactic and semantic conventions adhered to within the jurisdiction of this commission to help insure the success of interactive information systems," the commission said. "In short, tell us in plain English how a research project helps the customers asked to share its costs."

The commission noted that the majority of the public testifying at the Post Falls hearing complained that they could not understand the company's complex monthly bill. Some witnesses said that company personnel were also unable to satisfactorily explain the bills.

The company was ordered to change its monthly billing format "so customers can determine their charges" before it would be allowed to earn its full rate of return (10.45 percent). In addition, General must eliminate inaccuracies in its rural mileage charges and respond to a citizens committee report on the structure of telephone exchange areas.

The commission directed the parties in the second, rate design phase of the case to address issues of the future modernization of GTNW's telecommunications network.

"This case presents an opportunity for us to formulate a policy concerning future modernization and investment particularly when confronted with a number of interrelated issues," the commission said. "These issues include the propriety of future plant investment and digital switching equipment given the uncertainty of future regulatory control; the prospects for increased competition for certain telephone services; who benefits from modernization of the network and who should pay for this modernization; and the geographic and demographic relationships that exist in Idaho."

WITNESS EXPENSES GRANTED

The commission granted the Committee for Fair Rates $1,445.74 for the group's contribution to the rate case. The funds covered the actual travel, lodging, per diem, and copying expenses of the North Idaho consumer group's expert witness, Dr. Thomas Power, who testified at the July hearing in Post Falls.

Under Idaho law the commission may order a utility to pay up to $20,000 for reasonable expenses of intervenors whose participation in a case contributed to a commission decision by making recommendations materially different from those of the commission staff.

The Committee for Fair Rates asked the commission for nearly $16,000 to cover witness and legal fees as well as Power's expenses. The commission deferred a decision on funding for the $14,500 in witness and legal fees until completion of the second phase of the case.

Arguing that the committee did not materially contribute to the commission's decision, General Telephone objected to intervenor funding. The commission said that Power's testimony contributed to the decision to expand the second phase of the case.

"Dr. Power argued on behalf of the committee that the company's ratepayers were being asked to pay for network modernization which promises enhanced services and lower future costs," the commission said. "He testified that 'if the investments are made to provide services that are to be unregulated, . . . GTNW should carry these investments until the revenues generated from the new services and cost reductions justify the investment.'"

As a result of Power's testimony the commission has asked for additional comments from the parties "on whether the commission needs to form a policy on the modernization of the telecommunications network and the regulatory treatment of major plant investments which may not be subject to future regulatory control."

RATE CASE CONTINUES THROUGH 1988

Case No. U-1002-67A

The second, rate design and revenue allocation phase of GTE's general rate case was pending before the commission throughout most of the period covered by this report.

In February 1988, the company requested an interim $2 million rate increase, which would have raised local rates an average of 15 percent. However, in May, shortly after the commission had approved a 2.8 percent surcharge on local rates, GTE reported receipt of $2.5 million from the national high cost fund. The commission rescinded the surcharge and cancelled hearings that had been set for late May.

In June 1988, the company revised its request and sought $386,640 in additional annual revenue. Hearings on that request and rate design issues were held in Sandpoint in August. At the hearings, the PUC staff recommended a $1.3 million reduction in GTE's rates.

service. Two-way EAS would cost about $20,000 more than the one-way service, which would have cost about $105,000. The two-way service would add ten cents to the monthly residential bill and 43 cents to monthly business rates.

The commission granted General's petition for reconsideration of its order implementing EAS between Oldtown and Priest River. The company said substantial modification to its equipment and billing system would be required to implement EAS there and that the commission had relied on inappropriate data in ordering the toll-free service.

In its September order, the commission had relied upon information that the company would soon be replacing its Oldtown/ Newport switch with new equipment which would facilitate EAS. The commission had also assumed that until the new equipment was in place, the costs of temporarily implementing the service with 1+ dialing would be minimal.

In addition to modifying its EAS rulings, the commission denied company requests that it rescind the order capping rural mileage charges and exclude regulatory policy toward network modernization from the second phase of the case. The commission agreed to modify its requirement that its Boise telephone number be listed in the company's phone books.

General said that it did not have the capacity to fill the large number of requests for one-party service it anticipated as a result of caps on rural mileage charges. The commission said General should fill orders for one-party service where it has capacity and hold those orders it cannot fill.

"Recognizing that the Company may not have sufficient outside plant to provide one-party service for its rural customers, we invite the company to examine whether rural service upgrades or new one-party service should make increased contributions to the company's outside plant," the commission said. "In particular, the company may wish to examine its tariffs for service upgrades and line extensions for new service."

General said that regulation of network modernization should not be discussed in the second phase of the rate case because the issue had been litigated in the first phase and because the possibility that investments made under regulation might not be fully recovered from ratepayers would send "a bad signal" to investors.

The commission rejected General's assertion and said that the issue had not been adequately addressed in the revenue requirement phase of the case.

"Contrary to the company's assertion, we also believe our examination of these issues will not signal an increased risk to investments within Idaho," the commission said. "The formulation of policy concerning the modernization of the telecommunications network is necessary given the rapid pace of technology and its practical application in the industry."

In September, the commission told the company to publish the PUC's Boise number in the government section (blue pages) or inside the front cover of its phone books. The company said that not all directories have blue pages and that the inside front cover is reserved for emergency numbers.

The commission modified its order and required its number to be listed in the "Doing Business With Us" section, under "Customer complaints and disputes." The following wording was suggested: "A customer may make a formal or informal complaint to the Idaho Public Utilities Commission (Boise number 334-3143) for further review of the complaint or dispute when satisfaction is not received."

EAS BETWEEN RATHDRUM AND COEUR D'ALENE

Case No. U-1002-67, Order No. 21643

In December 1987, the commission ordered General to provide toll-free, extended area service (EAS) between Rathdrum and Coeur'Alene by January 4, 1988.

In ordering the company to implement EAS between the two communities by January, the commission noted that it had received numerous inquiries in recent weeks asking when the service would be implemented.

Informal communications with the company indicated that the two-way EAS project would not be completed until the summer of 1988. The company said the delay was needed to install additional trunk lines between Rathdrum and Coeur d'Alene to accommodate the anticipated increase in call volume.

The commission said the summer completion date for implementing the toll-free calling was unsatisfactory. The commission observed that delaying EAS did not provide immediate toll relief for Rathdrum customers.

January implementation of EAS might result in some Rathdrum-Coeur d'Alene calls not being completed because elimination of toll charges between the two communities could result in greater traffic volumes than the facilities can handle.

When trunk facilities become saturated, customers hear an "all circuits are busy" or other call-blocking message. To minimize the call-blocking dilemma, the commission requested that Rathdrum and Coeur d'Alene customers refrain from lengthy or unnecessary calls between the two communities. In addition, the company had to notify affected customers through billing envelopes and by public announcements to refrain from misusing the temporary EAS facilities.

In its December order the commission noted that the company was told in October to file its EAS implementation plan within 21 days. Instead General petitioned for reconsideration.

"It is nearly six weeks after our order granting the company's petition to implement two-way EAS," the commission said today, "and the company has not filed its EAS plan."

EAS WORKED IN SPITE OF DIRE PREDICTIONS

In February 1988, a month after Rathdrum-Coeur d'Alene EAS was implemented, it appeared to be working in spite of predictions by GTE Northwest that the toll-free calling would overload the company's circuits and block one out of five EAS or toll calls.

"Phone users in Rathdrum have responded to our request for conservative use of the telephone system," said Idaho Public Utilities Commissioner Ralph Nelson. "More than 98 percent of the calls are going through. EAS appears to be a great success."

In December, the commission had urged GTE customers to accept the success of the toll-free service as a personal challenge when the company said it did not have enough lines to carry the expected increase in call volumes between Rathdrum and Coeur d'Alene.

"The added traffic resulting from EAS could cause blocking in varying degrees to not only EAS calling but to toll and local calling," the company said in December while asking the commission to reconsider implementation of the toll-free service. "All of the Rathdrum subscribers will experience an estimated 20 percent blockage on EAS and toll calls. Additionally, all Rathdrum subscribers may experience blocking on incoming calls during peak calling hours."

GTE reported that during the first three weeks of extended area service no more than 5 percent of the 400 to 500 calls between Rathdrum and Coeur d'Alene on any day were blocked. On most days no calls between the communities were blocked.

The company also reported that its operators did not have to handle any emergency calls that could not be dialed directly because of call blocking.

"An unfortunate aspect of the call blocking is that many customers may not be able to reach emergency services available only from Coeur d'Alene," the company said in December.

For some emergency services, such as calls to the Kootenai County Sheriff, Idaho State Police, or the FBI, Rathdrum residents must place calls to Coeur d'Alene numbers.

"The Rathdrum subscribers unable to complete an EAS or toll call during peak calling periods may be unable to summon any emergency aid," the company said.

The company also predicted that "because of the configuration of the network serving the Rathdrum area, 20 percent of GTE-NW's Rathdrum customers will be unable to complete approximately 20 percent of their local calls during peak hours."

The company's report showed that on most days during January, from 1 percent to 6 percent of local calls in Rathdrum were blocked. It was unclear whether the blocking of local calls is caused by EAS call volumes or was an on-going problem in the local exchange.

CALL-BLOCKING SERVICE

Case No. U-1002-70

In January 1988, the commission approved General Telephone's plan to allow most of its customers to block calls to information services which charge a fee for each call.

There was no charge for the call-blocking service for customers who requested it during a 90-day sign-up period or for new customers, who can ask for it when requesting telephone service. Otherwise customers have to pay a service charge to have the call-blocking installed on their lines.

General Telephone offers the call-blocking service in its Coeur d'Alene, Moscow, and Sandpoint exchanges, whose central offices are equipped with digital switches. The company expected to be able soon to offer call-blocking to customers in its Orofino, Peck, and Spirit Lake exchanges in the near future. General's other Idaho exchanges have older, electro-mechanical switches incapable of providing call-blocking. When those swiches are replaced in the 1990's, the service will be made available.

The types of information services involved are those reached by dialing the prefixes 430, 499, 900, or 976.

"Typically, a caller to one of these services is charged between 50 cents to several dollars to hear pre-recorded jokes, stories, news or sports scores," the commission said when proposing the call-blocking service in June 1987. "All too often, telephone subscribers are first introduced to these services when their monthly bill itemizes charges for calls made by their children or children's friends.

"The commission has been concerned about these information calls since the inception of the service," the commission said. "We have issued news releases to warn customers of the services and the potential for abuse.

"We believe it is fair, just, and reasonable to allow customers the opportunity to restrict their telephone lines from such information service providers without having to pay a fee for the 'protection,'" the commission said. "We will allow existing customers an enrollment period to choose to have such protection without charge. If they choose not to enroll during the free period, a service order charge will be billed for any such subsequent change in service."

Originally General had proposed to offer the service at a rate of $2.80 per month. The commission rejected proposals by both General and Mountain Bell to charge for call-blocking as not adequately addressing its concerns for customers' ability "to protect themselves from unauthorized calls made from their phones to those services."

DIRECTORY ASSISTANCE EXPERIMENTS OK'D

Case No. GTE-T-88-1, Order No. 21711

In January 1988, the commission approved GTE's request to offer two experimental services through its directory assistance operators.

A new Yellow Page service allows directory assistance operators to give the phone numbers of up to three businesses listed in the yellow pages of any Idaho telephone book. The charge for the service is $1.85.

A Customer Name and Address (CNA) service provides a calling party with the phone number, address, and zip code of a listed subscriber whose name is given. The CNA service also gives the name, address, and zip code of a listed subscriber to qualifying businesses when the subscriber's telephone number is provided.

The "regular CNA" provides a calling party with up to two listings at $0.75 per call. A "bulk CNA" provides up to 15 listings at $4.50 per call.

Non-listed and unpublished telephone information is not provided through these services. In addition, customers may request that their listed information not be given out through the services.

To qualify to receive a name, address, and zip code listing (when the number is given), businesses must obtain a personal voucher number. A business customer obtains a voucher number when first signing up for the CNA service.

The commission approved the new services on an experimental basis for 18 months and said that Idaho ratepayers will not pay any penalties or legal fees if the service is found to violate a federal court order limiting the types of information services GTE-NW may provide.

The company assured the commission that its revenues from the services will exceed its annual costs. GTE-NW estimates that the CNA service alone will bring in $11,600 at a cost of $6,213 per year.

GTE NORTHWEST CASE LISTING

Case no. U-1002-		Synopsis	Order No.	Date
61		Roger Gregory Priest River EAS petition	21531	10-26-87
62		Deary and Bovill/Elk River EAS	22034	7-19-88
67	3-30-87	General rate case	21443	9-11-87
67A		Revenue allocation and rate design	21929	5-26-88
68	10-13-87	Telephone Assistance Program Lifeline surcharge	21588	11-13-87
69	9-28-87	Tel Teen service denied	21644	12-11-87
GTE-T-88-				
1		Experimental Yellow Page Services approved	21711	1-12-88
2	2-29-88	Consolidated with Case No. U-1002-67A		
3	6-28-88	Billed number screening service approved	22103	9-08-88

Albion Telephone Co.

P.O. Box 98
Albion, Idaho 83311
673-5335

The company at a glance

No. customers -- 800
Residential rate -- $15-17 per mo.

Cambridge Telephone Co.

P.O. Box 86
Cambridge, Idaho 83601
257-3314

The company at a glance

No. customers -- 780
Residential rate -- $10.50-12.50 per mo.

Rockland Telephone Co.

P.O. Box 269
Rockland, Idaho 83271
673-5335

The company at a glance:

No. customers -- 350
Residential rate -- $15 per mo.

RATE HIKES APPROVED FOR THREE SMALL COMPANIES

Case Nos. U-1005-13, U-1061-15, U-1017-25, Order Nos. 21760, 21764, 21765

In February 1988, the commission approved rate increases for the Rockland, Albion, and Cambridge telephone companies.

For Rockland and Albion, the commission approved about half of the companies' requested increases in basic local charges. For Cambridge, the basic rates approved were from $1 to $3 below the company's request.

The commission cited its commitment to universal service as the main reason for rejecting the 400- to 500-percent increases in basic rates proposed by Rockland and Albion and for moderating the 200- percent increase sought by Cambridge.

"The primary consideration in determining rate spread questions for telephone companies is the promotion and preservation of universal service, the precept that every person should have affordably priced access to the local and national telephone network," the commission said. "Telephone service is unique; because of its two-way nature, the value of the service is not confined to individual customers.

"The commission has an historic commitment to the goal of universal service and recognizes its tremendous economic and social importance. Adoption of the local rates proposed . . . would jeopardize our universal service goal."

Ray Hendershot, who testified on behalf of the three independent phone companies at November PUC hearings, said that if Rockland's proposed rates were adopted, 30 to 40 percent of its customers could no longer afford basic local phone service. Such an increase would result in Rockland's loss of about 100 customers, he said. Hendershot said that no studies had been done on the number of customers the other companies would lose if their proposed rates were adopted.

The following table shows the former, requested, and approved basic rates for each company:

	Basic Resident'l Rates			Basic Business Rates		
Company	Old	Request	Approved	Old	Request	Approved
Rockland	4.50	27.75	15.00	7.00	41.00	22.50
Arbon exch	5.00	27.75	15.00	7.00	41.00	22.50
Albion	6.20	33.35	17.00	8.45	50.00	25.50
Holbrook exch	6.20	33.35	15.00	8.45	50.00	22.50
Cambridge	4.25	13.50	12.50	9.80	24.50	25.00
Lowman exch	4.25	13.50	11.50	9.80	24.50	23.00
Cuprum exch	4.25	13.50	10.50	9.80	24.50	21.00

The steep rate increases requested in these cases prompted the commission in July 1987 to open an investigation into the causes of the pressures for local rate increases. As a result of its investigation, the commission proposed creation of an Idaho universal service or high cost fund -- a pooling arrangement to keep all in-state toll and basic local rates under 125 percent of their statewide averages.

The 1987 high-cost investigation disclosed forces driven by federal decisions that are shifting an increasing share of the costs of telephone service onto local rates. In approving rate increases for Rockland, Albion, and Cambridge, the commission said it weighed those forces against the need for stable, affordable local rates.

"We find such an allocation to be fair and reasonable," the commission said. "This allocation represents a reasonable balance between two competing interests, the first arguing for lower local rates in the interest of rate stability, rate affordability and value of service pricing and the second arguing for higher local rates due to federally driven cost-shifting and other factors."

After determining the amount of additional revenue each company is allowed, the commission divided the increases between local services and toll access charges. Toll access charges are paid by long-distance carriers for access to the local exchange.

Mountain Bell had intervened in the cases as a long distance company and objected to a PUC staff "residual pricing" proposal. The staff suggestion, adopted by the commission, spreads a residual revenue requirement to toll access rates after local rates are set at an affordable level. Mountain Bell agreed to residual pricing of toll services pending implementation of the universal service fund to assist the high-cost companies.

"We concur in Mountain Bell's hope that a high cost fund will be implemented soon," the commission said. "We note that if such a fund were in place, toll access charges could be lower."

In addition to basic local rates, the commission also approved adjustments to other charges. Pay phone rates were raised from a dime to a quarter, and all "touch-tone" charges were eliminated.

"As we stated in previous orders, technology has reduced the cost of provisioning a central office switch for Touch Tone service to such a low level that it is inconsequential," the commission said. In those exchanges where touch-tone equipment is not yet available, customers may have to wait a few months for the service, but it will be provided as a part of basic access service for those customers who want it, the commission said.

The three companies were also authorized to begin charging 30 cents for each directory assistance call and to increase charges for service calls. Cambridge and Albion were told to provide new numbers without charge to customers calling their offices during normal business hours.

The rates of return requested and approved for the three companies are as follows:

Company	Rate Base Approved	Return on Equity Requested	Return on Equity Granted	Overall Rate of Return Requested	Overall Rate of Return Granted
Rockland	$1,166,492	17.00%	13.75%	5.91%	4.36%
Albion	$2,568,363	16.00%	12.75%	7.63%	6.26%
Cambridge	$2,362,462	17.00%	13.50%	6.79%	5.20%

HOLBROOK-STONE-MALAD TOLL-FREE CALLING OK'D

Case No. U-1500-171, Order No. 21931

Commending area residents for an outstanding public hearing, the commission in June 1988 approved toll-free, extended area service between Albion Telephone Co.'s Holbrook-Stone exchange and Mountain Bell's Malad exchange. In November 1988, the commission told the companies to implement the new service as soon as a new switch was installed in Holbrook but no later than March 1, 1989.

The extended area service (EAS) would increase basic residential rates in the Holbrook-Stone exchange by $3 per month, from $15 to $18. Business rates would increase from $22.50 to $27 per month.

While the extended calling is two-way -- allowing toll-free calls from Malad to Holbrook-Stone as well as from Holbrook-Stone to Malad -- rates for Mountain Bell customers in Malad will not be changed.

The commission rejected the suggestion of Albion Telephone Co. witness Ray Hendershot that toll revenue lost through the change to EAS would be collected entirely from Holbrook-Stone customers. "That has never been the practice in this state and would unreasonably burden this community in much the same way that toll rates to Malad have done," the commission said.

In May 1987, residents of Holbrook and Stone petitioned the commission for toll-free calling to and from Malad. The petitioners said that most of their business, personal, and school-related calls go to Malad and that they must place long-distance calls to reach the sheriff and other emergency services.

Both Albion Telephone Co. and Mountain Bell opposed the petition. The commission staff recommended that EAS be implemented when Albion upgrades its Holbrook switching office.

Mountain Bell said there is no need for Malad residents to have local calling to the Holbrook-Stone area and that the traditional factors showing a community of interest between the two exchanges do not exist. The company said that extended area service may require extensive facility additions that must be paid for by all customers and that since the service is not optional, it benefits heavy toll users at others' expense.

In asking the commission to deny the petitioners' request, Albion pointed to the loss of toll revenue and the upward pressure on local rates it was experiencing and said that customers with low usage would be saddled with the burden of subsidizing those with high usage who benefit most from toll-free calling.

A public hearing was held in Stone in April 1988. In approving their request, the commission commended residents of Holbrook and Stone for their presentations at the hearing.

"The organization, effort and preparation by those who participated resulted in an outstanding public hearing," the commission said. "All the information necessary for our decision making process was provided in a complete and concise manner.

"The testimony of the companies that a strong community of interest does not exist both ways between Holbrook-Stone and Malad was rebutted repeatedly by the public witnesses," the commission said. "The commission finds that a strong reciprocal community of interest does exist between the two exchanges.

"Testimony of public witness Kathy Williams confirms that the customers are willing to pay higher rates if EAS is implemented," the commission said. Williams conducted a survey showing overwhelming support for a $3 local rate increase to pay for EAS as well as evidence that Malad businesses felt they would benefit from the service.

The commission also rejected the companies' recommendation that a standardized procedure be set up for evaluating EAS requests.

Each situation is unique, the commission said in deciding to continue its case-by-case analyses of EAS requests. "It would be of little benefit to have a general rule that is never applied because each individual instance requires a result that is other than that suggested in the general rule.... We find that our present approach to EAS cases is the most reasonable one that provides due process to all parties and best serves the public interest."

ALBION TELEPHONE CO. CASE LISTING

Case no. U-1061-		Synopsis	Order No.	Date
15	7-06-87	General rate case	21764	2-12-88
16	8-21-87	Authorization to borrow $389,000 from the REA	21684	12-31-87
17	10-02-87	Telephone Assistance Program Lifeline surcharge	21593	11-13-87

Century Telephone of Idaho, Inc.

P.O. Box 1007
Salmon, Idaho 83467
756-3300

The company at a glance:

No. customers -- 2,900
Residential rate -- $18.00 per mo.

CENTURY'S TOUCHTONE CHARGES CUT, REFUNDED

Case No. U-1500-164, Order No. 21676

In January 1988, the commission ordered Century to cut its charges for Touchtone service in order to pass on to customers a decrease in the company's federal taxes.

Beginning Feb. 1, Century customers saw a reduction in Touchtone charges sufficient to lower the company's revenues by $12,000 a year. Customers also received a refund for some of the Touchtone charges paid since July 1, 1987.

In January 1987, the commission told the utilities it regulates to calculate the affects of the Tax Reform Act of 1986 on their revenue requirements and to reduce their rates accordingly. Under the act, federal corporate income tax rates dropped from 46 percent to 34 percent on July 1, 1987.

The tax code changes resulted in an $11,971 reduction in Century's annual revenue requirement for intrastate operations in Idaho. The commission told the company to "recalculate its Touchtone rates to reflect a $12,000 annual reduction in rates and charges for Touchtone service, to set both the residential and business Touchtone rate at the same amount, and to round this rate up to the nearest nickel."

Century's Touchtone rates were $1.65 per month for residential service and $2.20 per month for businesses.

"In addition, beginning with bills issued on or after February 1, 1988, customers who have paid the Touchtone rate since July 1, 1987, should be given a credit on their bill for the Touchtone charges paid in the seven month period of July 1987-January 1988 to reflect the difference between the actual charges made for those seven months and the new charges that we direct to be implemented in this order," the commission said.

Contel of the West, Inc.

P.O. Box 12000
4900 California Ave.
Bakersfield, CA 93389
(805) 393-4011
(205) 328-2200

P.O. Box 127
Homedale, Idaho 83628

McCall -- 634-6110

The company at a glance:

No. customers -- 13,000
Residential rate -- $10.06 per mo.

CONTEL CUSTOMERS GET $350,000 RATE CUT

Case No. U-1500-164, Order No. 21810

In March 1988, the commission ordered Contel to reduce its Idaho revenues by $348,494 a year.

The reduction passes on to Contel's customers a decrease in the company's federal income tax rate from 46 percent to 34 percent on July 1, 1987. Basic residential rates dropped from $11.65 to $10.06 per month.

The company was also told to stop billing customers a time and materials charge when asked to isolate trouble caused by customer owned equipment. Instead, the company is to add a 20-cents per month trouble isolation charge to the monthly local bill.

The company in November 1987 asked the commission to reconsider its original order reducing rates by Dec. 1. At the same time Contel notified the commission that it would file a general rate case in early 1988.

The commission held a February hearing to look at rate design issues and to consider how best to stabilize Contel's rates and avoid customer confusion in light of both the tax rate reduction and the company's promised rate case application.

At the hearing company witnesses said that putting the entire reduction on local rates gives customers the wrong price signals and that the resultant swings in rates would confuse cusotmers.

"By both formal and informal means Contel has been indicating to this commission that it would file a general rate case for several months. It has not done so,'' the commission said in its final order. ''It is weeks past Feb. 20, 1988, and still no case has been filed. The balancing of interests all favor quick implementation of a rate reduction that customers were entitled to as of July 1, 1987, rather than further delay for coordination with a rate case that has yet to be filed.''

CONTEL OF IDAHO CASE LISITING

Case no. U-1037-		Synopsis	Order No.	Date
56	6-08-87	Telephone Assistance Program tariff	21402	8-17-87
CON-T-88-				
1	11-25-87	General rate case		
2	2-03-88	Vallivue School District residents petition	21824	3-24-88
3	3-29-88	Busy line verification/interrupt service	22004	6-28-88

Gem State Utilities

c/o Pacific Telecom, Inc.
P.O. Box 9901, 805 Broadway
Vancouver, WA 98668
(206) 696-6941

The company at a glance:

No. customers -- 1,300
Residential rate -- $9.40 per mo.

RATES CUT APRIL 1, 1988

Case No. U-1500-164, Order No. 21777

In March 1988, the commission ordered Gem State Utilities to reduce its rates by $18,781 a year to pass on to the company's phone customers a decrease in its federal income taxes.

The commission told the company to eliminate charges for "touch tone" service and to cap its rural mileage charges at $12 per month.

Customers saw the reductions in bills sent out in April. They also received refunds for "touch tone" charges and rural mileage charges above $12 a month paid since Jan. 1, 1988.

Gem State had been charging $1.80 per month for "touch tone" service and $1.00 (one-party) or $.75 (two-party) per quarter mile from the base rate area for rural service. Under the commission's order, all one-party customers living three or more miles and all two-party customers four or more miles from their base rate areas pay the same $12 charge.

In January 1987, the commission told the utilities it regulates to calculate the affects of the Tax Reform Act of 1986 on their revenue requirements and to reduce their rates accordingly. Under the act, federal corporate income tax rates dropped from 46 percent to 34 percent on July 1, 1987. For companies like Gem State, the tax rate was reduced in two steps -- to 40 percent in 1987 and to 34 percent in 1988.

GEM STATE UTILITIES CASE LISTING

Case no. U-1068-		Synopsis	Order No.	Date
21	6-16-87	Telephone Assistance Program tariff	21586	11-13-87

Inland Telephone Co.

P.O. Box 171
Roslyn, WA 98941
(509) 649-2211

The company at a glance:

No. customers -- 200
Residential rate -- $9.00 per mo.

LENORE PARTY LINES

Case No. INL-T-88-1, Order No. 22011

On July 1, 1988, the commission approved Inland's proposal to phase out two- and four-party service in its 200-customer Lenore exchange over two years.

Under the proposal party-line service was eliminated July 1, 1988. Rates for two- and four-party customers were phased up to the current one-party rates in two steps.

Residential two-party customers paying $7.75 and four-party customers paying $7, would pay $8.35 in 1989 and $9 in 1990 for monthly basic local service. Two-party business customers, who paid $10.50, would pay $12.50 in 1989 and $14.50 in 1990 for their basic monthly service.

The company installed a new digital switch in Lenore which cannot provide four-party service without the addition of special equipment costing about $4,000. The company said that some customer-owned telephones are incompatible with party-line service and cause disruptions to all customers on a line.

RATES CUT 28% FOR THREE MONTHS

Case No. U-1500-164, Order No. 21529

In October 1987, the commission ordered Inland Telephone Co. to reduce its rates for local service by 28.18 percent for three months beginning Nov. 1, 1987. In December 1987, the commission delayed implementation of the reduction until Jan. 1, 1988 while rejecting the company's petition for reconsideration of its November order.

The $1,811 reduction passes on to Inland's customers a decrease in the company's federal income taxes. The decrease was the result of a drop in the federal tax rate from 46 percent to 40 percent for 1987.

Inland's customers saw their monthly basic charge for one-party residential service cut from $9 to $6.46 and from $7 to $5.03 for four-party service. The basic one-party business rate dropped from $14.50 to $10.41 per month.

INLAND TELEPHONE CASE LISTING

Case no. U-1097-		Synopsis	Order No.	Date
16	6-26-87	Telephone Assistance Program tariff	21404	8-17-87
INL-T-88- 1	4-05-88	Up-grade two- and four-party service	22011	7-01-88

Midvale Telephone Co.

P.O. Box 7
Midvale, Idaho 83645
355-2211

The company at a glance:

No. customers -- 450
Residential rate -- $8.50 per mo.

MIDLAND TELEPHONE CASE LISTING

Case no. U-1018-		Synopsis	Order No.	Date
15	10-15-87	Telephone Assistance Program surcharge	21589	11-13-87

Pacific Northwest Bell Telephone Co.

1600 Bell Plaza
Seattle, WA 98191
(206) 345-5921

The company at a glance:

No. customers -- 23,000
Residential rate -- $8.50 per mo.

PNB'S RATES CUT $309,000

Case No. U-1500-164, Order No. 21544

In November 1987, the commission ordered Pacific Northwest Bell Telephone Co. to reduce its Idaho revenues by $309,078 by Dec. 1, 1987. Following a PNB petition for reconsideration, implementation of the rate reduction was delayed until late January 1988, when the petition was withdrawn.

The reduction passed on to PNB's customers a decrease in the company's federal income taxes. The decrease is the result of a drop in the federal tax rate from 46 percent to 34 percent on July 1, 1987.

The company was ordered to adjust several of its rates and charges:

Suburban area mileage charges were capped at $12 per month. PNB charges 55 cents per quarter mile for one-party customers and 40 cents per quarter mile for two-party customers located outside its base rate area.

Touch-tone calling charges were eliminated. These charges were 65 cents per month for residential lines and $1.30 for business lines.

PNB's trouble isolation service charge -- which was $25 for the first 15 minutes and $9 for each additional quarter hour -- was replaced by a 20-cent-per-month addition to the monthly basic local service charge.

After the effects of the above adjustments were calculated, the rest of the revenue reduction was accomplished by decreasing all basic local rates by about 5 percent. The company's basic one-party local rates of $6.60 or $8.50 for residential service dropped to $6.48 and $8.28. The $18.20 or $22 business rates dropped to $17.52 and $21.12.

The company was given until Dec. 1 to implement its new billing schedules. The commission also told PNB to credit the ordered reductions retroactive to July 1, 1987 in its customers' December bills. Those customers who left PNB's system since July 1 were to receive a refund check in December.

WAHA GLEN GETS PAYPHONE BUT RATES STAY THE SAME

Case No. U-1086-24, Order No. 21870

In response to a petition from area residents, in April 1988 the commission directed Pacific Northwest Bell to install a pay telephone at Waha Glen. But, citing a recent ruling limiting PNB's rural charges, the commission declined to further reduce rates.

In August 1987, residents of the Waha Glen area southeast of Lewiston petitioned the commission for better service at lower rates.

"There have been numerous occasions when the phones have been out of order or they will ring in at the wrong residence," the petition said. "We feel that eight and four party lines are outdated for a community only ten miles from the nearest local private line hookups.

"We feel we should have the same privilege of all other customers --private lines without the outrageous charge of $39.00 extra per month," the petition said. "There are approximately 70 families in our area that a change would affect."

At a Feb. 16 public hearing in Lewiston, PNB officials and area residents testified about service problems, availability of one-party service, the need for a public payphone in the area, and rates.

"Rates for telephone service in the Waha Glen area are reasonable," the commission said, citing a January order capping PNB's rural mileage charges at $12. "This substantial reduction in the cost of rural telephone service for the petitioning customers since the time of their petition satisfies the rate element of their petition.

"Next, customers desiring one-party service instead of four-party service may request PNB to provide that service," the commission said. "PNB has existing capacity in its lines to provide some additional service; if there is sufficient interest in one-party service in the area, PNB will be required to add additional facilities to meet the demand for service.

"Next, we direct PNB to install a pay telephone on or near Kathleen Arnold's store," the commission said in response to Arnold's testimony on the need for a public phone. "This area is frequently used for recreation, and the public interest requires installation of a payphone for the use of boaters, snowmobilers and others in the area regardless of 'economic viability.'"

The commission retained jurisdiction over the case for six months and ordered PNB to keep close track of trouble and complaint calls. "If PNB's existing facilities are unable to provide good quality service to its customers in the following six months, we will consider whether the company should be directed to further upgrade or replace the existing facilities," the commission said.

"Residents of the area are entitled to good quality service, but that quality will not necessarily equal the service of a customer one block from the company's switching equipment in Lewiston," the commission said. "Some deterioration in the quality of the signal traveling from the Lewiston central switching office to the petitioners' area is inevitable."

COTTONWOOD-NEZPERCE E.A.S. TURNED DOWN

Case No. U-1086-25, Order No. 21735

In February 1988, the commission turned down a request for toll-free, extended area service between the north Idaho communities of Cottonwood and Nezperce.

"Extended area service (EAS) between Cottonwood and Nezperce is not warranted," the commission said. "Both communities are located in different counties, served by different school districts, and served by different emergency services."

The commission said that the number of calls between the two communities does not approach the call volumes of other communities where the toll-free calling arrangement has been approved.

Pacific Northwest Bell, which serves both communities, reported that in November 1987 calls from Cottonwood to Nezperce averaged less than one per month per line. From Nezperce to Cottonwood, the average was two calls per month per line.

"The charge for a five-minute direct dialed daytime call between Nezperce and Cottonwood is $.56," the commission said. "Thus, it is doubtful that toll charges are the major inhibitors for the low toll volumes reported by PNB."

In November 1987, the commission received a petition for toll-free, extended area service between the two communities from the president of the Cottonwood Chamber of Commerce. The petition was supported by the city councils and school districts serving the two communities.

The petitioners said that EAS "would be conducive to future cooperation between the two communities and enhance present and future trade relationships." The petition said that while the communities are served by separate school districts, they share sports and recreational programs.

In denying the request, the commission noted that Cottonwood has EAS to the Idaho County seat in Grangeville and that Nezperce has EAS to Craigmont and Kamiah.

LAPWAI GETS MEASURED SERVICE IN APRIL

In March 1988, the commission approved Pacific Northwest Bell's request to offer measured service to its customers in Lapwai when the company installed a new, digital switch in April.

Measured service enables customers to pay a reduced monthly charge plus a cents-per-minute rate for each local call made during the month.

PNB offered three measured service packages to Lapwai residents beginning April 23. In each package, callers are billed 4 cents for the first minute or less, plus 1.5 cents for each additional minute of a call.

PNB's "Basic Measured Service" for residential customers costs $6 per month and includes a $3 allowance for local calls at the cents-per-minute rate. "Budget Measured

Service" for residential customers costs $4 per month but includes no call allowance.

PNB's business customers may obtain measured service for $14.50 per month. The business rate does not include a call allowance. Extended area calls to Lewiston and Clarkston exchanges as well as local calls to Lapwai exchanges are included in the measured service.

PACIFIC NORTHWEST BELL CASE LISTING

Case no. U-1086-		Synopsis	Order No.	Date
23		Telephone Assistance Program surcharge	21879	4-22-88
24	8-14-87	Waha Glen residents petition	21870	4-15-88
25	12-01-87	Petition for EAS between Cottonwood and Nezperce	21735	1-27-88
26	4-17-87	Private line rate increase	21710	1-12-88

Potlatch Telephone Co.

P.O. Box 121
Kendrick, Idaho 83537
289-5701

The company at a glance

No. customers -- 470
Residential rate -- $7.00 per mo.

POTLATCH TELEPHONE CO. CASE LISTING

Case no. U-1063-		Synopsis	Order No.	Date
9	9-21-87	Telephone Assistance Program surcharge	21590	11-13-87

Rural Telephone Co.

P.O. Box 969
Glenns Ferry, Idaho 83623
366-2458

The company at a glance

No. customers -- 220
Residential rate -- $16.00 per mo.

Rural Telephone Co. serves some 200 customers in several remote areas of Idaho and Nevada. In Idaho, the company operates in the Three Creek area of Twin Falls and Owyhee counties and in the Anderson Ranch area of County.

During 1987, Rural moved its corporate headquarters from Sacramento, California to Glenns Ferry, Idaho and expanded its service territory into Atlanta, Prairie, and Tipanuk, on Interstate Route 84 just north of Mountain Home.

RURAL TELEPHONE CO. CASE LISTING

Case no. U-1130-		Synopsis	Order No.	Date
9	9-10-87	Telephone Assistance Program tariff	21486	9-29-87
RUR-T-88-				
1	6-01-88	Code-a-Phone and Personalized Ring offerings allowed	21948	6-10-88

Silver Star Telephone Co.

P.O. Box 266
Freedom, WY 83120
(307) 883-2411

The company at a glance:

No. customers -- 350
Residential rate -- $8.50 per mo.

RATES CUT 23 PERCENT

Case No. U-1500-164, Order No. 21663

In December 1987, the commission ordered Silver Star to reduce its basic local service rates by 22.86 percent beginning Jan. 1, 1988 to pass on to customers a decrease in the company's federal taxes due to the drop in corporate income tax rates from 46 percent to 34 percent on July 1, 1987.

The lower rates reflected a 1988 revenue reduction of $4,577 plus a $2,289 reduction in the company's 1987 revenues, which were subject to refund beginning July 1, 1987.

In January 1988, the commission put the rate reduction on hold to give the company time to file a rate case that could offset it. In May, the company filed a request for a rate increase and considreation of the revenue effects of the federal tax changes was transferred to that case.

SILVER STAR TELEPHONE CASE LISTING

Case no. U-1130-		Synopsis	Order No.	Date
11	3-22-85	Certificate of Convenience and Necessity restored	21623	12-01-87
SIL-T-88-				
1	1-04-88	Telephone Assistance Program Lifeline surcharge	21715	1-15-88
2	5-02-88	General rate case		

Troy Telephone Co.

P.O. Box 25
Troy, Idaho 83871
835-2211

The company at a glance:

No. customers -- 637
Residential rate -- $12.67 per mo.

TROY-TO-MOSCOW E.A.S. TURNED DOWN

Case No. U-1004-17, Order No. 21439

In September 1987, the commission denied a request for toll-free or discounted long-distance telephone service from Troy to Moscow.

"The cost of ordering Troy to implement extended area service would place an unreasonable burden on both the company and its customers," the commission said. "Granting EAS would precipitate a doubling of local rates. This we will not do." The commission said that Troy's customers have already experienced a recent increase in their local rates to offset lost toll revenues.

The commission also said that AT&T discount calling plans are not viable options for the vast majority of Troy's customers. Fewer than 5 percent will realize a savings under AT&T's "Pro Idaho" plan. The average Troy customer "would actually be penalized under 'Reach Out Idaho' rates," the commission said.

In 1986, the commission received a petition from Troy customer Dixie Betts asking for an investigation of the possibility of providing toll-free or discounted telephone service from Troy to Moscow. The commission told Troy Telephone, General Telephone Co. of the Northwest (GTNW), and AT&T to answer the petition.

While about 12 miles apart, Troy and Moscow are not in the same calling area or LATA (Local Access and Transportation Area). Telephone calls between Troy and Moscow are routed from Troy to Lewiston, then via AT&T to Spokane, then Coeur d'Alene, and from Coeur d'Alene via GTNW to Moscow.

As part of the 1984 breakup of the nationwide Bell system, interLATA calls must be carried by AT&T or one of its long-distance competitors. Troy is in Pacific Northwest Bell's calling area (the Spokane LATA), and Moscow is in GTNW's Coeur d'Alene calling area.

Troy Telephone officials said that extended area service between Troy and Moscow would be cost prohibitive. The new equipment required plus the shift from toll to local calls would increase basic local rates by $12.25 to $12.50 a month, resulting in residential and business rates of about $25.00 and $31.25 respectively. The company noted that the average monthly charge for calls to Moscow was $8.69 and that 54 percent of its customers spend less than $6.00 a month on Moscow calls.

RATE HIKE APPROVED

Case No. U-1004-18, Order No. 21421

In August 1987, the commission approved a $22,039 increase in the local rates of the Troy Telephone Co.

Effective immediately, Troy's basic residential rate increased 31 percent from $9.65 to $12.67 per month. One-party business rates increased from $15.10 to $19.00 (26 percent), key trunk lines from $21.90 to $28.50 (29 percent), and semi-public pay phones from $18.80 to $25.34 (35 percent).

The commission also told the company to eliminate its separate charge for "touch tone" service and to meld the costs for this service into local rates.

The rate increase was about $15,000 less than it might have been. The new rates took into account a reduction in Troy's revenue requirement resulting from a drop in the company's federal income tax under the Tax Reform Act of 1986.

In July 1987, the federal corporate income tax rate fell from 46 percent to 34 percent. The IPUC ordered the state's regulated utilities to calculate the effects of the new tax rates on their revenues and to reduce their rates accordingly.

Troy's rate increase was needed to offset a decrease in the company's long-distance revenues. With the loss of the statewide toll pool, many of Idaho's independent phone companies saw a sharp decline in long-distance revenues.

"Troy, like other rural phone companies, bills [Pacific Northwest] Bell for access to its local exchange network," Troy manager Jerry Brown said. "Our access billing to the Bell company generates less long-distance revenue than the old pooling arrangements."

A rash of requests for local phone rate increases prompted the commission in July 1987 to begin an investigation of the need for a statewide universal service or high cost fund to replace the lost toll settlement pool.

Prior to the federal breakup of the Bell system, Idaho's local phone companies were considered part of an interconnected network. A toll settlement program maintained averaged long-distance rates throughout the state.

Companies like Troy Telephone, whose long-distance costs exceeded their long-distance rates, were reimbursed through the pool from excess revenues collected by other companies whose long-distance costs were lower. The 1984 breakup of the AT&T system ended the toll pool.

TROY TELEPHONE CASE LISTING

Case no. U-1004-		Synopsis	Order No.	Date
17	9-87	Dixie Betts EAS petition	21439	9-03-87
18	6-15-87	Rate increase approved	21421	8-20-87

COOPERATIVE and MUTUAL TELEPHONE COMPANIES OPERATING IN THE STATE OF IDAHO

The Idaho Public Utilities Commission does not regulate cooperative or mutual telephone utilities. They are listed here as a courtesy.

BLACKFOOT TELEPHONE COOPERATIVE, INC.
1112 N. Russell St.
Missoula, Montana 59801

CUSTER TELEPHONE COOPERATIVE, INC.
P.O. Box 324
Challis, Idaho 83226
(208) 879-2281

FARMERS MUTUAL TELEPHONE COMPANY, LTD.
P.O. Box 346
Fruitland, Idaho 83619
(208) 452-4241

FILER MUTUAL TELEPHONE COMPANY
P.O. Box 89, 405 Main St.
Filer, Idaho 83328
(208) 326-4331

MUD LAKE TELEPHONE COOPERATIVE
P.O. Box 235
Dubois, Idaho 83423
(208) 374-5401

PROJECT MUTUAL TELEPHONE COOPERATIVE ASSOC., INC.
P.O. Box 366
Rupert, Idaho 83350
(208) 436-3131

WATER COMPANIES

The commission regulates 23 privately operated water companies. They vary from the 60,000-customer Boise Water Corp., a subsidiary of General Water Works of Bryn Mawr, Pennsylvania, to Ever-Green Landscaping, which serves some six customers in the Inkom area of southeastern Idaho.

SMALL WATER COMPANY RULES

In 1987 the commission adopted rules for the regulation of small water companies. Small (Class D) water companies are those with fewer than 300 customers or gross revenues of not more than $50,000 a year. The rules allow denial of a certificate of convenience and necessity if the commission finds that the service of a new small water company is not needed or that another company is willing and able to provide similar or better service.

The rules include a presumption that the capital investment in a small water company's plant is contributed by its developer and will thus be excluded from the company's rate base. The commission's experience is that the well, mains, and laterals of a real estate development are usually constructed by the developer, who implicitly includes their cost in the purchase price of the lots or improvements or otherwise absorbs it in the development operation.

WATER COMPANY REGULATION NEEDS REVIEW

The commission regulates fewer than 1 percent of the 2,588 systems supplying drinking water to Idahoans. In October 1988, Commissioner Perry Swisher noted several shortcomings in the way private water companies are regulated.

"The usual regulatory trigger is a spate of customer complaints," Swisher said. "The commission finds that the system in question is indeed subject to our regulation. At that point, it becomes a certificated utility, is merged into another system, or is deeded over to the households and businesses it supplies.

"The commission would be insolvent if all systems that are statutorily subject to our regulation were actually certificated. This case illustrates that danger," Swisher said.

"When I try to calculate the commission time and resources invested in the Hayden Pines cases since I came on the commission in 1979, I cannot come up with an estimate of less than $100,000.

"It is my hope that Idaho's lawmakers will recognize both the existing and the potential shortcomings of the regulatory scheme now in place for private water utilities," Swisher said.

REGULATORY CHANGES

"First, the overwhelming number of system deficiencies confirmed in our proceedings could have been avoided by the preconstruction imposition of standards by the counties and municipalities of Idaho. The cost of playing catch-up, on jerry-built and improvisational supply of water as an afterthought to property development, is far greater than would be the cost of doing it right from the outset," Swisher said.

"Second, the expectation that small water systems independent of developers' profits will automatically prosper in the long run is not borne out by experience. That is not widely understood in Idaho.

"Third, a greater local voice in these matters is in the public interest," Swisher said. "Dependence on a regulatory commission headquartered in Boise for all aspects of private water systems is unrealistic."

CAPITAL SECURITIES WATER CORP.

2626 Eldorado
Boise, Idaho 83704
375-0931

The company at a glance:

No. customers -- 1,665
Rate base -- $106,900
Rate of return -- 11.25%
Residential rate -- $8.06 per mo.

CAPITAL SECURITIES WATER CORP. CASE LISTING

Case no. CAP-W-88-		Synopsis	Order No.	Date
1	8-24-88	Investigation of compliance with orders in U-1080-12	22076	8-24-88

EAGLE WATER CO.

P.O. Box 455
Eagle, Idaho 83616
939-0242

The company at a glance:

No. customers -- 580
Rate base -- $165,200
Rate of return -- 12.9%
Residential rate -- $7.84 per mo.
+ 45.1 cents/100 cu.ft. above 600 cu.ft.

EAGLE RANCH WATER CO. TO SERVE EAGLE HILLS EAST

Case No. U-1116-10, Order No. 21455

In September 1987, the commission approved Eagle Ranch Water Co.'s request to extend service into Eagle Hills East Subdivision No. 1.

The approval was in keeping with previous commission orders that the company improve its system before expanding it and that all construction costs be paid by the developer of the area requesting service. The improvements were required because of pressure complaints from customers.

The company has improved both the water mains and well that serve the eastern part of its system.

"We find that these improvements are adequate to supply the water requirements of Eagle Hills East Subdivision No. 1 and will result in an overall improvement in water service to the east side of Eagle Ranch Water Co.'s service area," the commission said.

EAGLE WATER CO. CASE LISTING

Case no. U-1116-		Synopsis	Order No.	Date
7	7-12-85	Complaint of Jim Harris	21786	2-25-88
10	6-05-87	Certificated area to include Eagle Hills East	21455	9-09-87

EVERGREEN WATER CO.

P.O. Box 430
St. Maries, Idaho 83861
245-3404

The company at a glance:

No. customers --
Residential rate -- $15 per mo.
+ 35 cents/1,000 gal. above 7,500 gal.

EVERGREEN WATER CO. CASE REVIEW

IPUC REGULATES EVERGREEN WATER COMPANY

Case No. U-1151-1, Order No. 21576

In November 1987, the commission granted a certificate of public convenience and necessity to Evergreen Water Co. to serve the Evergreen Terrace subdivision near St. Maries in Benewah County.

The commission also approved the company's existing rates as fair, just, and reasonable. Those rates are $15 for the first 7,500 gallons of water plus $0.35 for each additional 1,000 gallons used each month.

HAYDEN PINES WATER CO.

P.O. Box 992
1841 W. Hayden Ave.
Hayden Lake, Idaho 83835
772-3619

The company at a glance:

No. customers -- 1,800
Rate base -- $812,400
Rate of return -- 12.88%
Residential rate -- $14.30 per mo.
+ 12.5 cents/100 gal. above 3,000 gal.

HAYDEN PINES WATER CO. CASE REVIEW

RATEPAYER COMPLAINT

Case No. U-1121-37, Order No. 22186

In October 1988, the commission ordered Hayden Pines Water Co. to implement a permanent 18.2 percent rate reduction and to reduce its rates an additional 9.77 percent until May 1990 to return to customers some $81,000 overcollected since early 1985.

The action, which reduces Hayden Pines' revenue by nearly $76,000 a year, was the result of a complaint against the company filed by the Hayden Pines Ratepayers Association in September 1986. Hearings in the case, held in Post Falls in April, May, and June of 1988, were attended by more than 200 customers of the utility that serves about 1,800 customers north of Coeur d'Alene.

The effect of the order was to reduce Hayden Pines' monthly rates by 28 percent until May 1990. The monthly customer charge dropped from $14.30 to $10.30. The commodity rate fell from $1.25 to $0.90 per 1,000 gallons.

The company was also told to refund 28 percent of each bill paid for water service from May 6, 1988 to Oct. 31, 1988 as a credit on December 1988 bills. For customers who left the system a refund check was to be issued.

"The testimony in this case reveals an atmosphere has been created that is adverse to the utility," the commission said. "In addition to the company's improper bookkeeping methods, the quality of service, although somewhat improved since the last rate case, has contributed to this hostile atmosphere.

HAYDEN PINES WATER CO. LOAN APPROVED

Case No. U-1121-38, Order No. 21474

In September 1987, the commission approved a Hayden Pines Water Co. request to borrow up to $400,000.

The company asked for authority to borrow the money from the First National Bank of North Idaho for up to ten years at 11.5 percent interest. The company proposed to use the money to retire its existing debt and to build a new reservoir for its Twin Lakes service area.

RATES DROP FOR TAX CUT

Case Nos. U-1121-39, Order No. 21462

In September 1987, the commission told Hayden Pines Water Co. to reduce its rates by almost $14,000 a year because of changes in the utility's federal income tax rates.

The $13,934 rate reduction was the result of a January commission order telling the state's regulated utilities to calculate the effects of the new income tax laws on their revenues and adjust rates accordingly. The federal income tax rate dropped from 46 percent to 34 percent on July 1, 1987.

The reduction meant a drop of about 75 cents in the average customer's monthly bill.

McGUIRE ESTATES WATER SYSTEM

1115 South Cedar
Spokane, Washington 99204
(509) 456-8819

The company at a glance:

No. customers -- 60
Rate base -- $4,300
Rate of return -- 12.0%
Residential rate -- $8.51 for 1st 10,000 gal.
+ $0.36 /1,000 gal. add'l use

McGUIRE ESTATES WATER SYSTEM CASE LISTING

Case no. U-1145-	Synopsis	Order No.	Date
3	Meter installation case closed	21464	9-18-87

NORTHGATE ENTERPRISES

P.O. Box 2432
Idaho Falls, Idaho 83401
523-2251

The company at a glance:

No. customers -- 26
Residential rate -- $20.87/mo.

NORTHGATE CASE REVIEW

RATE HIKE

Case No. U-1136-3

In December 1987, the commission approved a 4.4 percent increase in Northgate Water Co.'s residential rates rather than the 43 percent increase proposed by the company.

The increase raised the company's annual revenue by $1,104 to meet increased costs for electricity and water quality tests.

Northgate's residential rate rose from the present $20.00 to $20.87 per month. The rate for Liquid Air rose from $30 to $50, a 67 percent increase. The company's $30 business rate was not changed.

In September 1987, Northgate applied for a $2,807 (37 percent) revenue increase. The company proposed raising both residential and business rates by $8.50 per month.

Following an analysis of Northgate's application by the staff of the commission, the company agreed to the lower revenue requirement and the lower rate increase proposed by the commission.

NORTHGATE CASE LISTING

Case no. U-1136-		Synopsis	Order No.	Date
3	9-10-87	Certificate amendment and rate increase	21682	12-30-87
1	6-27-88	Northgate Water Users Association complaint	22009	6-30-88

SOUTH COUNTY WATER CO.

10549 Overland Road
Boise,Idaho 83709
375-1130

The company at a glance:

No. customers -- 2,620
Rate base -- $430,211
Rate of return -- 12.02%
Residential rate (3/4" or smaller) -- $6.86 per mo.
+ 42 cents/100 cu.ft. above 600 cu.ft.

EXPANSION OK'D, RATES TO BE REVIEWED

Case Nos. SOU-W-88-1 & 2

In May 1988, the commission gave South County Water Co. the go-ahead on plans to expand its service area to include an 80-acre residential development in southwest Boise. In a separate case, the commission directed its staff to begin an investigation into the reasonableness of the company's rates and the quality of its service.

In April 1988, the company asked the commission for permission to amend its certificate of public convenience and necessity to include the Canonero West subdivision near Victory and Cloverdale roads. The development is next to an area already served by South County.

"The cost of extension of South County's mains will be paid for by the developers, who will also pay any taxes due on contributions in aid of construction," the commission said in approving the company's application. "Additional operating expenses will be minimal because South County's expenses are basically fixed expenses and no additional employees will be required."

In August 1987, South County completed the metering of its 2,600-customer Boise service area, an action ordered by the commission in September 1986 following widespread complaints about pressure and other service problems.

In its initial application for metering, the company estimated that its average residential bills would increase about 44 percent as a result of metering and that consumption would drop about 40 percent.

OTHER WATER UTILITIES UNDER THE JURISDICTION OF THE IDAHO PUBLIC UTILITIES COMMISSION

BARBER WATER CORP.
3550 Triplett Lane
Boise, Idaho 83702 (208) 345-9384

BAR CIRCLE "S" RANCH, INC.
8191 Loch Haven Drive
Hayden Lake, Idaho 83835 (208) 772-9096

BOISE WATER CORP.
8248 W. Victory Rd., P.O. Box 7488
Boise, Idaho 83707 (208) 362-1300

BRIAN WATER CORP.
P.O. Box 7345
Boise, Idaho 83707 (208) 342-4791

CITIZENS UTILITIES WATER
612 Cedar Street
Wallace, Idaho 83873 (208) 752-1174

EAST MORELAND WATER CO.
671 West 200 North
Blackfoot, Idaho 83221 (208) 684-3120

EVER-GREEN LANDSCAPING, INC.
3186 W. Portneuf Road
Inkom, Idaho 83245 (208) 775-3573

FALLS WATER CO., INC.
405 11th Street
Idaho Falls, Idaho 83401 (208) 522-1300

MURRAY WATERWORKS
Box 426
Murray, Idaho 83874 (509) 924-2789

PICABO LIVESTOCK CO.
Picabo, Idaho 83348 (208) 788-2516

PINEVIEW ESTATES WATER CO.
c/o 8601 No. Hayden Pines Way
Hayden Lake, Idaho 83835 (208) 772-3619

SPIRIT LAKE EAST WATER CO.
P. O. Box 7310
Spokane, Washington 99207 (509) 467-0770

SUNBEAM WATER CO.
P.O. Box 5361
Pocatello, Idaho 83201 (208) 237-1110

SUNSET HEIGHTS WATER CO.
Route 1, Box 224-50
Salmon, Idaho 83467 (208) 756-3611

TROY HOFFMAN WATER CORP.
P.O. Box 5083
Coeur d'Alene, Idaho 83814-1951 (208) 765-8329

WARM SPRINGS MESA, INC.
2843 Star Circle
Boise, Idaho 83706 (208) 344-2603

REGULATED CARRIER DIVISION

Motor Carrier Advisory Committee

The Director of the Regulated Carrier Division maintains an active role on the Governor's Motor Carrier Advisory Committee. The committee is made up of representatives of industry and state agencies that regulate the motor carrier industry and provides an atmosphere for rapport and problem solving.

FEDERAL TRUCK SAFETY RULES ADOPTED

Case No. P-300-38

In December 1987, the commission adopted federal rules which rate the safety fitness of trucking firms and set national licensing requirements for their drivers.

The federal Motor Carrier Safety Management Audit Program and the national Commercial Drivers Licensing Standards became part of Idaho's Motor Carrier Rules on Dec. 15, 1987.

"A carrier's safety rating shall be considered as a factor of the carrier's overall fitness when it applies for authority to operate as a common or contract carrier," the commission said. "The new rule sets forth the standards for determining a safety rating, provides carriers and other parties access to the safety ratings, and establishes an appeal procedures."

Under the program trucking firms will be rated "satisfactory," "unsatisfactory," "conditional," or "insufficient information" according to their safety records and compliance or noncompliance with safety requirements.

The national drivers licensing standards were implemented in response to the Commercial Motor Vehicle Act of 1986 and establish requirements for both interstate and intrastate truck and bus drivers. Drivers may have only one license, must provide employers with their driving histories, and must notify them if their licenses are suspended or if they are convicted of moving violations.

COOPERATIVE PROGRAMS AIM FOR TRUCKING SAFETY

During 1988, the commission, in cooperation with the Idaho State Police, implemented a safety management review program aimed at reducing commercial vehicle accidents.

The agencies identify motor carriers with a high number of preventable accidents and serious equipment, driver, or hazardous materials violations. These carriers then undergo safety management reviews.

"We don't have enough manpower to review every motor carrier operating in the state," said Tonya Clark, director of the IPUC's Regulated Carrier Division. "This program will allow us to concentrate our resources on those carriers causing the bulk of the problems."

After the problem carriers have been identified, priority for safety management reviews is given passenger carriers, followed by those involved in hazardous materials incidents. All new carriers seeking IPUC operating authority are also reviewed, Clark said.

Under rules adopted by the commission in 1987, each trucking or bus company is assigned a safety rating as it comes under review. Based on the company's compliance record as assessed during the review, the carrier is rated "satisfactory," "unsatisfactory," "conditional," or "insufficient information."

"We'll be using the rating as a tool to determine the carrier's fitness to operate in Idaho," Clark said. "But the ratings will also help us develop an overall picture of the safety of commercial vehicles and their drivers on our highways."

The Federal Highway Administration has had a safety management review program since 1983. With SafetyNet, a computerized database installed by the Idaho State Police, Idaho authorities have the tools to assess a carrier's safety record and to identify those causing the problems.

"We've been inspecting commercial motor vehicles for several years now," said Capt. L.J. Nickerson, director of the ISP's Motor Carrier Safety Assistance Program. "Using the inspection data we've gathered to detect problem carriers and select them for safety management reviews is a logical extension of that work. We're pleased to work with the IPUC toward the mutual goal of making our highways safer."

C.V.S.A. AND C.O.H.M.E.D.

The Regulated Carrier Division continues to take part in the Commercial Vehicle Safety Alliance (CVSA) and the Cooperative Hazardous Materials Enforcement Development (COHMED) programs.

CVSA began in 1980 as a compact among three western states to avoid duplication and improve the quality of truck inspections. The alliance is made up of state, provincial, and federal governments of both the United States and Canada as well as members of the trucking industry.

With 47 states and nine Canadian provinces now participating, the program has virtually become the national standard. At the November 1988 CVSA national conference, American Trucking Association Director of Engineering Larry Strawhorn reported that motor carriers generally support the CVSA effort.

COHMED, sponsored by the U.S. Department of Transportation's Research and Special Programs Administration, brings together state, federal, and private agencies dedicated to improving hazardous materials transportation safety. The program promotes uniform hazardous materials regulation, training, inspection, and enforcement at all levels of government.

Regional COHMED meetings consider problems and new priority issues. This year's meeting agendas included prenotification, registration of hazardous materials carriers, permitting, routing, accident investigations, out-of-service criteria, safe havens, and training.

EMMETT-BOISE BUS FARE INCREASED

Case No. M-5215-15, Order No. 21523

In October 1987, the commission approved a fare increase for the Boise School Bus Co.'s Emmett-to-Boise commuter service and told the company that it must try to increase ridership on the route.

The company was allowed to increase its one-way fare from $2.50 to $4 and its round trip fare from $4.50 to $6, with discounts for weekly and monthly passes.

"It became apparent at the public hearing that the Emmett community in general does not know the commuter service exists," the commission said. "Efforts must be made by the company to increase the number of passengers.

"The company must do more than transport a certain clan of passengers to and from Boise; this 'portable commune' must be enlarged," the commission said. "Several marketing ideas were set forth and discussed at the hearing . Boise Bus Co. would be wise to implement those ideas as well as increase its general advertising."

The company was also ordered to set up a separate accounting system to enable it to track revenues and costs of the Emmett-Boise operation. At a September 1987 hearing in Emmett, the company had been able to present only an estimate of the daily costs associated with the commuter operation.

In allowing a maximum rate schedule, the commission cautioned that discounted rates be applied "evenly across-the-board in a non-discriminatory manner."

PUC DEFERS TO OUTFITTERS BOARD ON GUIDED TRIPS

Case No. 31.F-R-88-2, Order No. 21937

In June 1988, the commission decided not to regulate transportation provided by outfitters and guides to their clients because Idaho law gives primary responsibility for such rules to the Idaho Outfitters and Guides Licensing Board.

In April 1988, the commission asked for comment on the requirement under the Idaho Public Utility Act that "vessels regularly engaged in the transportation of persons or property for compensation upon the waters of the state" be treated as common carriers -- similar to trucks and buses which are regulated by the commission.

About 45 letters were received, primarily from licensed outfitters and guides opposing PUC regulation of their jet boats and rafts as vessels. They noted extensive existing regulation by various agencies.

The Outfitters and Guides Licensing Board commented that it has "exclusive jurisdiction to regulate ground transportation and vessels" used by the outfitting and guiding industry and asked the commission to cease rule making in that regard.

"We need not decide whether the Idaho Outfitters and Guides Licensing Board has been given exclusive jurisdiction over vessels engaged in services defined by statute to be within that board's purview," the commission said.

"We need merely conclude that the Outfitters and Guides Act has given primary jurisdiction to that board to regulate water transportation or licensed outfitters and guides (and incidental ground transportation provided by outfitters and guides accompanying their outfitting and guiding personal services) in the performance of their licensed commercial activities.

"Given that, we will defer to the board's regulation (and degree of regulation) of licensed outfitters and guides providing water transportation in their licensed commercial activities and incidental ground transportation," the commission said.

Commercial cruise and pleasure craft not regulated bunder the outfitters and guides rules do remain subject to the commission's primary jurisdiction.

"These craft, however, are subject to the safety regulation of the United States Coast Guard," the commission said. "Accordingly, at this time it is unnecessary for us to exercise our authority to promulgate safety or other regulation for these kinds of vessels because we find that Coast Guard regulation is sufficient."

In a letter accompanying its order, the commission offered to help the outfitters and guides board with safety inspections and in developing insurance requirements for vehicles used by outfitters and guides.

IDAHO FALLS HOUSE MOVER GETS FIVE-DAY SUSPENSION

Case No. M-7308-4, Order No. 21946

In June 1988, the commission ruled that the contract authority of Morgan & Sons, an Idaho Falls house mover who violated state trucking laws, should be suspended for five consecutive days.

On 39 separate occasions over the last two years the company failed to file contracts with the commission as required by the Idaho Motor Carrier Act. Morgan also violated the law in November 1987 by failing to secure an oversized load permit and by moving a house without adequate brakes.

The commission noted that the company intends to discontinue operations by the end of 1988 and said that Morgan could select the five-day period during which the suspension would be in effect.

In April 1988, a hearing was held in Idaho Falls on charges brought by the commission staff that William K. Morgan, doing business as Morgan & Sons, violated commission rules on safety and fair competition.

"The respondent admitted during his testimony that his failure to comply with rules relating to oversized permits and the filing of contracts was due in part to misunderstanding and in part 'laziness,'" the commission said. "The respondent promised to gain a proper understanding of the applicable rules and to comply with them in the future. Based on the respondent's demeanor while testifying, these assurances are found to be credible."

BRETT'S IPUC PERMIT LIFTED FOR NINE MONTHS

Case no. M-6938-7, Order No. 22029

In July 1988, the commission ordered the nine-month suspension of an Idaho Falls mobile home mover's motor carrier permit beginning Sept. 1, 1988.

The commission said the unfamiliarity of Brett's Mobile Homes "with rules and statutes which govern his business exhibits an unfitness to operate as a mobile home carrier."

The suspension stemmed from a Sept. 24, 1987 incident in which a mobile home was damaged while being moved from Mud Lake to Rexburg.

Following a January 1988 hearing, the commission found that Brett's driver failed to issue a pre-trip inspection report required under Idaho's motor carrier rules. The signed report must list any damage noticed before the trip, discuss liability for future damage to the unit being moved, and note any equipment that may cause damage during the move.

Brett's also failed to maintain all required items in the driver's qualification file and to follow proper safety procedures.

Idaho Department of Transportation rules require that "pilot cars used in conjunction with the transportation of a mobile home be equipped with two-way radios," the commission said. "The respondent violated this safety statute. The movement of the mobile home with a chained up axle and overinflated tires also demonstrated the lack of safe operations.

"Brett's own expert witness testified that he would only have moved a trailer in this condition at approximately 20 miles per hour and then only upon checking the tires at regular intervals," the commission said. "These combined factors demonstrate that the carrier failed to provide a fit and safe service."

In 1985, Brett's received a one-month suspension following the commission's examination of the company's conduct in a similar incident.

FREIGHT AGENCIES IN IDAHO TO STAY OPEN

Case No. R-2000-348, Order No. 21876

In April 1988, the commission ordered the Union Pacific Railroad to leave open 13 of its Idaho freight agencies, to reopen one agency, and to change four regional customer service centers to customer service offices while allowing the railroad to close 16 other agencies.

In September 1987, Union Pacific asked to permanently close all of its one-man freight agencies in Idaho and to transfer their functions and those of its regional customer service centers in Idaho Falls, Pocatello, Nampa, and Spokane to a computerized national customer service center in St. Louis.

"Despite the railroad's testimony that its national customer service center will better serve Idaho shippers, the overwhelming testimony of shippers at the Pocatello and Twin Falls hearings is to the contrary," the commission said.

In its order the commission pointed to a policy stated in 1987 when several phone companies wanted to remove local customer service personnel from Idaho.

"At that time, we directed telephone companies to end their absentee stewardship and required them to maintain physically accessible offices within their service areas to handle customer transactions," the commission said. "We believe this policy is appropriate for Union Pacific.

"Based upon the shippers' persuasive testimony, we find: Dissatisfaction with the railroad's service appears at the local level, i.e., where the railroad directly interacts with the shipping/receiving customer," the commission said. "We conclude that permanent closure of the remaining agencies would not provide convenient, adequate and efficient service to the Idaho shipping public."

Union Pacific freight agencies will remain open at Aberdeen, Ashton, Boise, Emmett, Kellogg, Montpelier, Moscow, Rupert, Sandpoint/ Bonners Ferry, Shoshone/Gooding, Soda Springs, Twin Falls, and Weiser/ Payette. "In those 'agencies' that remain dualized, we expect the railroad to maintain local presence in both communities as required to adequately serve Idaho customers," the commission said.

The commission also ordered the railroad to reopen its Parma agency, which had been closed temporarily. Based on testimony from Larry Link, manager of the Idaho-Oregon Fruit and Vegetable Association, the commission found that service to area shippers was inadequate without the Parma agency.

The commission said the railroad may permanently close the agencies at American Falls, Arco, Blackfoot, Buhl, Burley, Caldwell, Cascade, Coeur d'Alene, Glenns Ferry/Mountain Home, Jerome/Wendell, Minidoka, Newdale, Orofino, St. Anthony, Shelley, and Rexburg because they are not necessary for the railroad to give adequate and efficient service. Those agencies have been closed on a trial basis since late 1985 to determine whether their duties could be performed by the regional customer service centers.

The commission allowed Union Pacific to consolidate the operations of its Idaho Falls, Pocatello, Nampa, and Spokane regional customer service centers into its national customer service center in St. Louis. However, when the CSC functions were transferred, the railroad was to open customer service offices in their place. The company could decide whether customer service could best be provided by a local agent in Spokane or by reopening its agency at Coeur d'Alene.

"We have no doubt that the Railroad intends to become 'the premier transportation company in the industry.' However, this goal cannot be attained without attention to customer service," the commission said at the end of today's order.

"It is in the public interest for the railroad to obtain more rail traffic, and thus, become more profitable," the commission said. "Shipping Idaho commodities by rail reduces the amount of heavy truck traffic and saves Idaho's highways from unnecessary traffic. In addition, the railroad is ideally suited for handling the state's heavy commodities, e.g., lumber and minerals."

TWO NEW IDAHO RAILROADS

In late 1987, Idaho acquired two new railroad operations.

Montana Rail Link owns about 544 miles of mainline from Huntley, Montana, to Sandpoint, Idlaho, and about 286 miles of branch lines. Montana Rail Link aslso has trackage rights from Sandpoint to Spokane, Washington.

Winona Bridge is a subsidiary of Burlington Northern Railroad created to run "expediter" trains between Winona, Minnesota, and Seattle, Washington.

Both railroads are embroiled in legal battles with union officials over their rights to operate.

Investigation and Enforcement

The IPUC's four Regulated Carrier Investigators were actively involved in enforcement and clean-up of hazardous materials and spills. This area of enforcement continues to increase in importance.

Safety inspection and safety management are also increasing concerns. The investigators have been working cooperatively with the Idaho State Police Motor Carrier Safety Assistance Program and the U.S. Department of Transportation to develop an extensive data-base on commercial carriers operating in and through Idaho.

Cooperative efforts between agencies has resulted in successful investigation and prosecution of safety and hazardous materials and waste violations.

Investigator Activities

	FY 86	FY 87	FY 88
Court Actions Initiated			
Safety	121	115	73
Hazardous Material	86	65	31
Compliance	185	292	136
Other	75	131	17
Warnings Issued	277	490	290
Vehicles Inspected	1104	1246	468
Accidents Investigated**	50	42	35
Investigations	3008	3061	
Safety Management Reviews*			25

* Program initiated 1/1/88
**Railroad and motor carrier

Distribution of Motor Carriers

Motor Carriers	FY 86	FY 87	FY 88
Interstate Carriers	12,500	13,000	12,204
Intrastate Private Carriers	6,500	7,000	9,650
Intrastate Common Carriers	520	530	500
Total Carriers	19,520	20,530	22,354

Distribution of Regulated Carrier Revenue by Source

Revenue Collected	FY 86	FY 87	FY 88
Interstate Carriers Regulatory Fees	$261,424	$277,277	$312,965
Private Intrastate Carrier Regulatory Fees	$113,424	$118,429	$122,134
Railroad Special Regulatory Fees	$52,061	$43,760	$77,745
Common-Contract Regulatory Fees	$69,142	$53,093	$52,009
Filing Fees Miscellaneous Receipt	$16,322	$17,339	$15,225
Total Revenue	$512,595	$509,898	$580,078

Common-Contract Intrastate Carriers Case List

The following application, notices and complaints were received by the IPUC.

	FY 86	FY 87	FY 88
Applications for New Authority	48	60	56
Applications for Temporary Authority	50	60	52
Requests for Extensions of Temp. Authority	2	1	3
Applications for Amendment of Authority	15	10	6
Applications for Transfer of Authority	15	11	6
Applications for Voluntary Suspension	45	30	15
Applications for Voluntary Cancellation	11	21	30
Requests for Name Change	4	5	7
Requests for Extension of Compliance Period	12	13	3
Complaints	103	80	91
Notices Revoking Authority	5	14	10
Notices of Reinstatement			3

CONSUMER ASSISTANCE

WINTER SHUT-OFF BAN KEPT, PAYMENT INCENTIVE ADDED

Case No. P-300-37, General Order No. 177

In March 1988, the commission decided to keep its ban on electric and gas utility shut-offs for homes with children, the elderly, or infirm during December, January, and February. In addition, the commission extended the ban to November and March for customers who agree to a special payment plan.

In 1987, when it proposed limiting the ban on winter shut-offs to households on a winter payment plan, the commission outlined four goals:

- Preservation of public health and safety by limiting the circumstances under which service may be terminated during winter months;
- Encouraging the development of good payment habits by customers;
- Providing relief from impossible financial obligations;
- Facilitating collection of problem accounts.

The commission's proposal to require minimum winter payments was widely criticized, prompting the commission to hold December public hearings in Pocatello, Caldwell, Lewiston, and Coeur d'Alene.

"After reviewing the public testimonies and the written comments, we find that the better balance of our four goals is to preserve the basic protections of the current moratorium rule -- that neither gas nor electric service will be terminated during the three winter months in households that contain children, elderly or infirm--and that additional incentives should be given to customers who can maintain partial payment of their bills during the winter," the commission said.

The commission singled out the comments of several public witnesses as "especially telling in convincing us to retain the current moratorium." Boise Fire Captain Karl Malott cited a decline in fire and health problems since the shut-off ban went into effect in 1980.

Sergio Guttierrez testified at the Caldwell hearing about the drop in farm workers' income levels during the winter. Charlotte Dille discussed the need for electricity in homes heated with gas, wood, coal, or oil. Several others recited personal experiences that convinced the commissioners that "the balance of the public interest factors favors continuation of the existing moratorium."

"Nevertheless, as we initially noted, the moratorium is a safety net, but it has no incentives for the affected customers to pay utility bills during the winter," the commission said. "A substantial disincentive is that persons who rely upon it to preserve their service without making payment will often have unmanageable bills at the end of the moratorium.

"Accordingly, by this order we are also creating a new winter payment plan--one covering the five winter months of November, December, January, February and March--to encourage those customers capable of paying a portion of their winter heating bills, but not the entire bills, to make partial payments during the five months in order to preserve their service beyond the core three-month moratorium protection.

"This winter payment plan allows customers who make one-half of a level pay amount (a monthly average of the customer's estimated annual bill, including arrears, if any) during these five months to maintain their service, with an obligation at the end of the five months to enter into a payment arrangement to reduce accumulated arrears. This alternative to the moratorium replaces the arrearage forgiveness originally proposed," the commission said.

"Continued eligibility under the plan requires payments of at least one-half the level pay amount. These payments may be from any source, including low income heating energy assistance, Project Share, or other charitable or governmental sources. Payments exceeding the level-pay amount in one month may be 'banked' and applied towards the level-pay amount in subsequent months.

"Customers may certify themselves for eligibility for the winter payment plan. They need only state that they are unable to meet their full winter payments and that there are children, elderly or infirm in the household. Because eligibility depends upon continuing payment, neither the commission nor the utilities will become social service agencies investigating individual customer's ability to pay and the ages or health of the persons in the households involved.

"Utilities need not offer a winter payment plan to a customer who did not abide by winter payment plan the previous year. Indeed, to maintain eligibility under the rule, the customer must make payments during the winter months according to the winter payment plan, enter into payment arrangements and keep payment arrangements for reduction of arrears in the spring, summer and fall, and reduce arrears under the payment arrangements to $150 or less by the following November 1st to be eligible for a second year of the winter payment plan."

In response to additional comments, the commission in April 1988 made one final change to the plan advanced in March. To qualify for the winter payment plan a customer must have kept up with the past year's payment arrangements and cannot be more than $75 in arrears.

Arguing that the threshold of eligibility was too high, Washington Water Power and Intermountain Gas objected to the commission's earlier proposal to allow customers owing $150 to participate in the plan. The utilties wanted to exclude customers with any arrears.

Customers could make their first payment with a Low Income Heating Energy Assistance Program (LIHEAP) check, the utilities said, and then make no further payments during the winter, thereby accumulating significant arrears in addition to the initial $150.

The commission was committed to giving the winter payment plan a two-season trial. "After the winter of 1889-1990 utilities may petition us to modify the rule if their experience so warrants," the commission said. "In the meantime, we will maintain the rule as is, barring extraordinary adverse experience under it."

To monitor the success of the plan, the commission told the utilities to report their shutoff's each month, November through March. The utilities were also directed to submit their termination notices for PUC staff review. Several people testified about the how hard the notices of some companies are to understand.

REVISED CONSUMER RULES RESULT FROM YEAR-LONG REVIEW

The new winter payment plan was the result of a comprehensive review of the commission's Customer Relations Rules for Gas, Water and Electric Utilities undertaken during 1987 and 1988. The rules address the major sources of disagreement and confusion between these utilities and their customers: deposits, billing, termination of service, and resolution of disputes (complaints to the utilities or the commission). They also address other areas, such as master metering and the kinds of information that must be made available to customers.

These rules were originally promulgated in the late 1970s. The Commission first proposed to adopt rules governing customer relations following public hearings in 1977. There was considerable utility opposition to the commission's proposal. The 1978 Legislature voted to rescind the commission's rules, but failed to act by its statutory deadline, making the rescission legally unenforceable.

Nevertheless, it became apparent to all concerned that another approach was preferable. In the spring and summer of 1978, representatives of utilities and consumer groups met to attempt to find common ground. In August 1978, they agreed to a compromise set of rules at a prehearing conference. The compromise was presented to the commissioners and adopted. Since that time, the Commission has on occasion "patched" new provisions onto the 1978 rules to take into account federal policy changes and other conditions requiring technical tinkering with the rules. The commission had not, however, comprehensively reviewed the rules since 1978.

In the meantime, the rules had been supplemented by a number of informal staff interpretations, commission directives, and utility and Staff practices, none of which were reflected in the written rules themselves. This combination of formal rules, informal interpretations and additional practices and guidelines had become confusing for all concerned. Accordingly, in January 1987 the staff reviewed the rules to define issues requiring clarification and to target rules needing revision.

In the spring of 1987, the staff met with utility and consumer representatives. As a result of these meetings, the staff circulated a first draft of the rules in June 1987. The Staff's goals fell into two broad categories.

First, the staff sought a better set of rules--one that would address recurring issues upon which the existing rules were silent (e.g., the transfer of bills from one customer to another) while becoming more understandable. The input of the utilities and consumer groups balanced the views presented and gave the staff insights about what rules proved troublesome or confusing and needed clarification or elaboration.

The second goal was to improve utilities' and consumer groups' understanding of the rules and willingness to abide by and enforce them by involving them in their development.

After receiving feedback concerning the June 1987 draft of the rules, the staff presented its final draft and recommendations to the commissioners in September. On October 7, 1987, the Commission proposed to amend its rules effective December 1, 1987, when special provisions in the rules for the winter heating season take effect.

The commission's October order proposed substantial revisions in the rules concerning termination of service in the three winter months of December, January and February. The commission received numerous requests for hearings, primarily on this issue. The proposed effective date of the rules was delayed pending December hearings in Pocatello, Caldwell, Lewiston, and Coeur d'Alene.

Based upon information gathered at the hearings, the commission in March 1988 revised its rules on termination of service during the winter and made many technical changes to other rules. The new rules went into effect July 1, 1988.

In July and August 1988, commission consumer assistance representatives met with utilities and consumer groups to try to reach a common understanding on the "nuts and bolts" of implementing the new rules.

Utilities' deposit, billing, and termination practices present recurring issues and problems. The primary players, utilities and various consumer assistance organizations, and secondarily the commission staff, have a common interest in fair and workable rules. If these three groups can negotiate a mutually acceptable set of rules, there is greater likelihood that the rules' implementation will be successful and that there will be a reservoir of common understanding and respect that may be drawn upon in the often contentious day-to-day process of determining where individual customers fall within the rules.

The ability to negotiate rules should not be exaggerated. The utilities, consumer groups, and the staff were unable to reach consensus on the single most important rule--when electric and gas utilities may terminate service during the winter heating season. The commissioners had to resolve this issue. Nevertheless, the benefits of negotiated rulemaking--consensus in formulating the rules and common understanding in implementing them--were not lost by the negotiators' inability to agree on one rule. The staff recommended negotiated rulemaking be repeated in the customer relations area.

CUSTOMER DEPOSIT INTEREST RATE DROPPED TO 7%

Case No. P-300-37, Order No. 21622

In December 1987, the commission told the state's gas, electric, and water companies to lower the deposit interest rate from 12 percent to 7 percent beginning Jan. 1, 1988.

The commission adopted a rule tying the deposit interest rate to the 12-month average interest rate of U.S. Treasury bills.

"The average interest rate for one-year treasury bills for a 12-month period November 1st, 1986, through October 31, 1987, is 6.57 percent," the commission said. "That average rounds to 7 percent. Accordingly, 7 percent annual interest should be paid on all deposits held by public utilities."

CONSUMER COMPLAINTS AND INQUIRIES

There was a 4 percent decrease in the number of complaints and inquires received during 1987 over the previous year. Forty-one percent of all complaints and inquires received in 1987 involved a pending or actual disconnection of utility service. Other categories include: disputed billings (21%); rates and policies (12%); service-related problems (8%); line extensions and upgrades (4%); deposits (2%); company refusal to serve (5%); and miscellaneous (6%).

The Consumer Assistance staff received 2,042 requests for assistance or information in 1987. Ninety percent of the complaints came from residential customers. The majority of the complaints received concern interpretation of tariffs, rules, or regulations, with consideration for the customer's or company's unique circumstances. In 38 percent of all cases, the utility's action was either reversed or modified. Sixteen percent of the cases involved negotiation of payment arrangements. In 4 percent of the cases, the utility's action was found to be a violation of the commission's rules, regulations, or policies, or of the utility's tariff.

While dispute resolution remains an important task, it is hoped that by working with consumer groups, social service agencies, and utilities , persistent causes of consumer difficulties can be identified and addressed. Consumer complaints present an opportunity for utilities and the commission to learn about the effect of utility practices and policies have on people. For example, the unintentional and perhaps unfair impact of a rule or regulation might be discovered in the course of investigating a complaint. In such cases, an informal, negotiated remedy may not be possible, and formal action by the commission would be required. The Consumer Assistance staff's participation in formal rate and policy cases before the commission is the primary method used to address these issues.

NUMBER OF COMPLAINTS & INQUIRIES RECEIVED
BY
IPUC CONSUMER ASSISTANCE
1984 - 1987

ENERGY UTILITIES

Company	No. of Complaints			
	1984	1985	1986	1987
Citizens Utilities	0	4	5	3
Idaho Power	672	616	748	629
Pacific Power & Light	8	15	3	9
Utah Power & Light	96	69	84	64
Washington Water Power	86	105	106	138
Intermountain Gas	228	280	290	299
Atlanta Power	NA	NA	11	10

NUMBER OF COMPLAINTS & INQUIRIES RECEIVED
(Cont.)

TELECOMMUNICATIONS UTILITIES

Company	No. of Complaints			
	1984	1985	1986	1987
AT&T Communications	16	18	25	28
Albion Telephone	2	3	1	4
Cambridge Telephone	1	3	7	7
Century Telephone	6	2	4	1
Continental Telephone	28	42	41	38
Gem State Utilities	4	3	2	0
General Telephone	71	50	44	129
Inland Telephone	1	2	1	0
Midvale Telephone	1	0	0	1
Mountain Bell	598	476	441	453
Pacific Northwest Bell	31	14	16	17
Pine Telephone	0	0	0	0
Potlatch	1	0	5	0
Rockland	0	1	0	4
Rural Telephone	0	1	1	2
Silver Star	7	8	4	2
Troy Telephone	0	0	0	1

NUMBER OF COMPLAINTS & INQUIRIES RECEIVED
(Cont.)

WATER UTILITIES

Company	No. of Complaints			
	1984	1985	1986	1987
Barber Water	0	0	0	6
Bar Circle "S" Ranch	0	0	0	1
Boise Water	57	45	84	58
Brian Water	0	0	0	1
Capitol Securities Water	1	9	15	4
Citizens Utilities Water	0	2	0	1
Clearview Water	0	0	0	0
Eagle Ranch Water	0	37	16	7
East Moreland	0	0	0	0
Ever-Green Landscaping	0	0	0	0
Falls Water	0	0	0	0
Hayden Pines	2	13	10	9
Ketchum Springs Water Supply	2	7	11	1
Mc Guire Estates	0	0	1	1
Murray Waterworks	0	0	0	0
Northgate Enterprizes	0	0	0	0
Picabo Livestock	0	0	0	0
South County Water	2	3	7	71
Spirit Lake East Water	0	0	0	0
Sunbeam Water	0	0	0	0
Sunset Heights	0	0	0	0
Troy Hoffman Water	1	0	0	0
Warm Springs Mesa	0	0	2	1

HISTORICAL COMPARISON OF COMPLAINTS AND INQUIRIES RECEIVED BY IPUC CONSUMER ASSISTANCE

1982 - 1986

Historical Comparison of Annual Totals

BOISE BASED MAJOR UTILITIES*

Company	1982	1983	1984	1985	1986	1987
Idaho Power	776	694	672	616	748	629
Intermountain Gas	368	338	228	280	290	299
Mountain Bell	925	996	598	476	441	453
Boise Water	80	80	57	45	84	58

NON-BOISE BASED MAJOR UTILITIES*

Company	1982	1983	1984	1985	1986	1987
Utah Power & Light	57	71	96	69	84	64
Washington Water Power	66	57	86	105	106	138
Continental Telephone	55	45	28	42	41	38
General Telephone	67	90	71	50	44	129
Pacific Northwest Bell	15	29	31	14	16	17

*Utilities with over 10,000 Idaho customers.

CHANGE IN COMPLAINTS AND INQUIRIES RECEIVED BY IPUC CONSUMER ASSISTANCE

1986 & 1987

BOISE BASED MAJOR UTILITIES*

Company	1986	1987	%Increase/ (Decrease)
Idaho Power	748	629	(16)
Intermountain Gas	290	299	3
Mountain Bell	441	453	3
Boise Water	84	58	(31)

NON BOISE BASED MAJOR UTILITIES*

Company	1986	1987	%Increase/ (Decrease)
Utah Power & Light	84	64	(24)
Washington Water Power	106	138	30
Continental Telephone	41	38	(7)
General Telephone	44	129	193
Pacific Northwest Bell	16	17	6

*Utilities with more than 10,000 Idaho customers.

COMPLAINTS AND INQUIRIES RECEIVED BY IPUC CONSUMER ASSISTANCE

PER 1,000 UTILITY CUSTOMERS*

1982 - 1986

BOISE BASED MAJOR UTILITIES**

Company	1982	1983	1984	1985	1986	1987
Idaho Power	3.23	2.89	2.72	2.49	2.92	2.43
Intermountain Gas	3.79	3.49	2.40	2.95	2.89	2.93
Mountain Bell	3.20	3.45	2.08	1.65	1.44	1.47
Boise Water	2.16	2.16	1.50	1.18	2.07	1.42

NON-BOISE BASED MAJOR UTILITIES**

Company	1982	1983	1984	1985	1986	1987
Utah Power & Light	1.33	1.65	2.40	1.73	2.13	1.60
Washington Water Power***	.94	.68	1.03	1.27	1.22	1.57
Continental Telephone	4.23	3.46	2.15	3.23	3.25	2.92
General Telephone	1.01	1.35	1.08	.76	.64	1.82
Pacific Northwest Bell	.90	1.75	1.41	.64	.73	.81

* Residential and small commercial customers.
** Utilities with over 10,000 Idaho customers.
*** Includes both gas and electric service customers.

COMPLAINTS & INQUIRIES BY UTILITY & SUBJECT MATTER

ANNUAL TOTALS FOR 1987

Name of Utility	Company Refusal To Serve	Line Extension/ Upgrade	Service Related Problems	Deposit	Disconnect
Idaho Power Company	31	27	19	5	386
Utah Power & Light	0	2	2	1	21
Washington Water Power	12	4	4	0	76
Pacific Power & Light	0	0	0	0	2
Citizens Utilities	0	0	1	0	2
Intermountain Gas	46	1	7	19	159
Boise Water Corp.	2	5	14	0	22
Mountain Bell Tel.	15	19	55	12	131
Continental Tel.	0	5	19	0	2
General Telephone	0	4	10	1	19
Pacific NW Bell	0	0	4	1	4
All Other Utilities	1	5	15	0	9
Misc. Toll Carriers	0	0	11	0	2
No Jurisdiction	0	1	6	0	4
TOTALS	107	73	167	39	839

COMPLAINTS & INQUIRIES BY UTILITY & SUBJECT MATTER
(continued)

ANNUAL TOTALS FOR 1987

Name of Utility	Disputed Billing	Rates & Policies	Other	TOTALS
Idaho Power Company	114	31	16	629
Utah Power & Light	23	10	5	64
Washington Water Power	33	7	2	138
Pacific Power & Light	6	1	0	9
Citizens Utilities	1	0	0	4
Intermountain Gas	42	15	10	299
Boise Water Corp.	10	2	3	58
Mountain Bell Tel.	88	70	63	453
Continental Tel.	6	4	2	38
General Telephone	24	59	12	129
Pacific NW Bell	0	6	2	17
All Other Utilities	65	36	4	135
Misc. Toll Carriers	21	5	2	41
No Jurisdiction	3	7	7	28
TOTALS	436	253	128	2,042

PERCENTAGE OF COMPLAINTS* CONCERNING UTILITY SERVICE DISCONNECTION

1987

ENERGY

Company	Total	Disconnect	%of Total
Idaho Power	629	386	61
Utah Power & Light	64	21	33
Washington Water Power	138	76	55
Pacific Power & Light	9	2	22
Citizens Utilities	3	2	67
Intermountain Gas	299	159	53
TOTAL	1,142	646	57

*Excludes Inquiries

PERCENTAGE OF COMPLAINTS* CONCERNING

UTILITY SERVICE DISCONNECTION

1987

TELECOMMUNICATIONS

Company	Total	Disconnect	%of Total
Mountain Bell	453	131	29
Continental Telephone	38	2	5
General Telephone	129	19	15
Pacific Northwest Bell	17	4	24
TOTAL	637	156	25

WATER

Company	Total	Disconnect	%of Total
Boise Water	58	22	38

*Excludes Inquiries

COMPLAINTS BY
CUSTOMER CLASS AND RESOLUTION ACTIVITY

1987

Company	Number of Complaints	Business Customers	Residential Customers	Both Bus & Res
Albion Tel.	4		4	
AT&T Comm.	28	7	20	1
Atlanta Power	10	1	9	
Barber Water	6		6	
Bar Circle "S"	1		1	
Boise Water	58	5	53	
Brian Water	1		1	
Cambridge Tel.	7		7	
Capitol Securities	4		4	
Century Tel.	1		1	
Citizens Utilities	4	1	3	
Continental Tel.	38	8	28	2
Eagle Ranch	7	0	7	
General Tel.	129	30	96	3
Hayden Pines	9		9	
Idaho Power	629	29	596	4
Intermountain Gas	299	16	283	
Ketchum Springs	1	1		
McGuire Estates	1		1	
Midvale Tel.	1		1	
Mountain Bell	453	84	361	8
PNB	17	1	16	
PP&L	9	1	8	
Rockland Tel.	4		4	
Rural Tel	2	1	1	
Silver Star Tel.	2		2	
South County Water	71		71	
Troy Tel	1		1	
UP&L	64	12	51	1
Warm Springs	1		1	
WWP	138	6	132	

COMPLAINTS BY
CUSTOMER CLASS AND RESOLUTION ACTIVITY
1987
(Continued)

Company	Company Action Reversed/Modified	Company Action = Violation	Payment Arrangements Negotiated
Albion Tel.	0	0	0
AT&T Comm.	16	0	1
Atlanta Power	4	4	10
Barber Water	5	1	1
Bar Circle "S"	0	0	0
Boise Water	24	0	4
Brian Water	1	0	0
Cambridge Tel.	2	1	0
Capitol Securities	2	0	0
Century Tel.	0	0	0
Citizens Utilities	0	0	0
Continental Tel.	17	0	0
Eagle Ranch	1	0	0
General Tel.	48	6	5
Hayden Pines	3	1	0
Idaho Power	273	30	155
Intermountain Gas	117	7	64
Ketchum Springs	0	0	0
McGuire Estates	0	0	0
Midvale Tel.	1	0	0
Mountain Bell	175	14	47
PNB	4	0	2
PP&L	2	0	2
Rockland	1	1	0
Rural Tel.	1	1	0
Silver Star Tel.	0	0	0
South County Water	2	0	12
Troy Tel.	1	0	1
UP&L	20	1	11
Warm Springs	1	0	1
WWP	51	9	27

COMPLAINTS BY
CUSTOMER CLASS AND RESOLUTION ACTIVITY*
(Percentages)
1987

Company	Number of Complaints	Business Customers	Residential Customers	Both Bus & Res
AT&T Communications	28	25%	71%	4%
Boise Water	58	9%	91%	
Continental Tel.	38	21%	74%	5%
General Tel.	129	23%	75%	2%
Idaho Power	629	5%	94%	1%
Intermountain Gas	299	5%	95%	
Mountain Bell	453	19%	79%	2%
South County Water	71		100%	
UP&L	64	19%	79%	2%
WWP	138	4%	96%	

Company	Company Action Reversed/Modified	Company Action = Violation	Payment Arrangements Negotiated
AT&T Communications	57%	0%	4%
Boise Water	41%	0%	7%
Continental Tel.	45%	0%	0%
General Tel.	37%	5%	4%
Idaho Power	43%	5%	25%
Intermountain Gas	39%	2%	21%
Mountain Bell	39%	3%	10%
South County Water	3%	0%	3%
UP&L	31%	2%	17%
WWP	37%	7%	20%

*For utilities with 25 or more complaints during 1987.

INTERVENOR FUNDING

To encourage participation so that all affected customers receive full and fair representation before the commission, the 1985 Idaho Legislature passed and Gov. John Evans enacted intervenor funding legislation (Idaho Code section 61-617A).

Under the law, the commission may order any regulated utility with annual revenues over $1.5 million to pay all or part of the legal fees, witness fees, and copying costs of parties intervening in commission cases. Total intervenor funding may not exceed $20,000 in any one case.

The costs must be reasonable and a significant hardship for the intervenor. The expenses awarded are charged to the class of customers represented by the intervenor.

To receive funding, an intervenor's participation must materially contribute to a commission decision, with recommendations that differ from those of the commission staff. Issues addressed by the intervenor must be of concern to the general body of consumers.

Since Idaho's intervenor funding law went into effect in July 1985, the commission has granted a total of $104,371.71 to seven organizations intervening in seven different cases through June 1988.

AWARDS TO INTERVENORS

Date	Case No.	Util.	Intervenor	$ Amt. Granted
12-05-85	U-1034-122	IGC	Idaho Citizens Coalition	9,003.00
2-14-86	U-1008-204	WWP	Idaho Fair Share	10,091.02
2-14-86	U-1008-234	WWP	Committee for Fair Rates	14,475.86
3-03-86	U-1008-204	WWP	Idaho Fair Share	5,000.00
4-10-86	U-1009-157	UPL	Idaho Irrigation Pumpers Assn.	18,254.40
4-10-86	U-1009-157	UPL	Kelly Canyon Ski Hill Inc.	1,745.60
7-29-87	U-1006-265	IPC	Idaho Irrigation Pumpers Assn.	10,000.00
7-29-87	U-1006-265	IPC	Idaho Neighbors Network	7,728.00
7-29-87	U-1006-265	IPC	Industrial Customers of Idaho Power	2,000.00
10-16-87	U-1002-067	GTNW	Committee for Fair Rates	1,445.74
4-25-88	U-1008-204	WWP	Idaho Fair Share	9,908.09
6-10-88	IPC-E-88-2	IPC	Idaho Irrigation Pumpers Assn.	14,720.00

CASES OF GENERAL INTEREST

RATES REVISED FOR FEDERAL INCOME TAX CHANGES

Case No. U-1500-164

In January 1987, the commission ordered all regulated utilities other than small water and telephone companies to calculate the effects of the Tax Reform Act of 1986 on their revenue requirements and to reduce their rates accordingly. Under the act, federal corporate income tax rates dropped from 46 percent to 34 percent on July 1, 1987.

The effects of the tax rate change are reported in the case reviews and listings of each affected utility.

TAX TREATMENT SET FOR CONTRIBUTIONS IN AID OF UTILITY CONSTRUCTION

Case No. U-1500-176, Order No. 21933

In a split decision, the commission in June 1988 approved a policy for paying the income taxes on builders' contributions in aid of utility construction.

Homeowners and subdividers make the contributions as their share of the costs when utility lines are installed, improved, or replaced. The federal Tax Reform Act of 1986 made the contributions taxable as utility income beginning last year.

Under the policy which became effective July 1, the tax obligations are treated differently for different types of utilities.

The commission urged all utilities to follow the lead of Pacific Power & Light Co. Pacific continued charging taxes on contributions to its shareholders as it historically has in Idaho.

For small water and telephone companies, the commission said, the person making the contribution pays the utility's full tax obligation for the contribution. This treatment adds about $600 to a builder's $1,000 contribution. It applies to phone companies with fewer than 3,000 customers and to all water companies other than Boise Water Corp.

"Although this method will tend to discourage developers from contributing their systems to these utilities, the commission knows from experience that these small companies simply do not have the capital or operating resources to absorb additional tax liabilities," the commission said. "In addition, the risk associated with the development will be on the developer and not the ratepayers."

For the large utilities, the income taxes paid on contributions are added to the company's rate base and charged to ratepayers over the tax life of the investment -- usually 20 to 30 years. This treatment adds about a half-cent to the monthly bill of the average residential electric utility customer.

"In addition to being the simplest method to administer, rate basing the contribution promotes development and recognizes that the developer or contributor making the contribution is providing something of value to the utility and its customers," the commission majority said. "Requiring the developer or contributor to increase its contribution by the amount of tax the utility must pay on the contribution imposes an additional burden that would discourage contributions in aid of construction and development in general."

While agreeing with Commissioners Perry Swisher and Ralph Nelson on the treatment for contributions to small utilities, Commission President Joe Miller dissented on the treatment of large utility contributions.

"The method proposed by the majority places the entire tax burden resulting from contributions upon ratepayers and is inconsistent both with the historical policy of this commission and with our primary duty to protect ratepayers," Miller said.

"As I understand it, the rationale for the majority decision is that imposition of the contribution in aid of construction tax upon contributors will increase costs to developers and will thus impede growth and economic development," Miller said. "Notwithstanding the superficial appeal of this argument, the fact is that the developer, not the ratepayer causes the tax liability to arise.

"In my opinion, it is unfair to impose a tax caused by developers upon ratepayers, many of whom cannot afford new homes and many of whom live below the poverty level," Miller said. "I am equally concerned about the unfair effects upon existing industrial, irrigation and commercial ratepayers. These existing business customers should not be subjected to increased utility rates in order to provide an involuntary subsidy to new enterprises.

"If imposing the tax upon the contributor will impede economic development (and I am willing to assume that to some extent it will), this should be brought to the attention of congress rather than asking our commission to shift the burden to the ratepayers," Miller said.

Miller preferred a tax treatment adopted by the California Public Utilities Commission. Intermountain Gas Co. also urged the Idaho commission to approve the method which splits the income tax obligation between developers and ratepayers.

"The method I propose results in a more equitable distribution of the tax burden," Miller said. "The contributor is not required to pay the full tax liability, and the ratepayer has a small share of the liability.

"Although it cannot be quantified with precision, I am willing to accept the assertion that there is some incidental benefit to ratepayers from additions to an electrical or gas system. It is inconceivable, however, and no one seriously contends, that the benefit to ratepayers from additions to the system is equal to the cost imposed on ratepayers by the majority method. Under the method I propose, the cost to the ratepayer more nearly approximates the benefit to the ratepayer than does the method adopted by the majority."

Swisher and Nelson said that the method Miller proposed may be appropriate later.

"Because Idaho is a capital-short, as well as an energy-surplus state, the commission is not inclined to adopt this method at this time," the commission majority said. "The climate for development in Idaho is mediocre at best.

"If the commission could justify this method, it would adopt it," the majority said. "However, as long as the present inertia surrounding development in Idaho exists, this method cannot be justified. We commend Intermountain Gas Co. for its recommendation of this method and the commission is hopeful that one day this method can be adopted."

Miller also criticized the change in federal tax policy that made the construction contributions taxable as income.

"In this decision, we as a state commission are called upon to allocate the consequences of what I consider to be an unjust and unwise change in federal policy," Miller said. "The decision to treat contributions as taxable income is, in my opinion, unsustainable by any rational theory of tax policy.

"I view this provision of the Tax Reform Act as nothing more than a revenue generating provision adopted by Congress to partially offset the reductions in corporate tax liability contained in other provisions of the Act," Miller said.

IPUC RULES and REGULATIONS CHANGES

Case no. R-300-		Synopsis	Order No.	Date
21	10-10-80	Rulemaking for Class D Water Companies	GO174	8-27-87
33	5-28-85	Amendments to customer relations rules	21509	10-16-87
36		Uniform System Accounts for telephone companies	GO175	10-06-87
37	10-07-87	Review of customer relations rules	GO177	3-01-88
31.A-R-88-1		Review of Rules of Practice and Procedure of the IPUC	GO163D	4-19-88
31.D-R-88-1		Interest rate on deposits	21829	3-28-88

UTILITIES BY CITY

City	Electric Company	Gas Company	Telephone Company
Aberdeen	Idaho Power	Intermountain	Continental
Acequia	Rural Electric	None	Project Mutual
Ahsahka	Clearwater Power	None	General
Albion	Albion Light	None	Albion Telephone
Almo	Raft River Coop	None	Albion Telephone
Alridge	UP&L	None	Mt. Bell
American Falls	Idaho Power	Intermountain	Mt. Bell
Ammon	UP&L	Intermountain	Mt. Bell
Arbon	Idaho Power	None	Rockland
Arco	UP&L	None	Mt. Bell
Arimo	UP&L	None	Mt. Bell
Ashton	UP&L	None	Mt. Bell
Athol	Kootenai Electric	None	General
Atlanta	Atlanta Power	None	Rural
Atomic City	Idaho Power	None	Mt. Bell
Avery	WWP	None	General
Avon	Clearwater Power	None	General
Baker	Idaho Power	None	Century
Bancroft	UP&L	Intermountain	Mt. Bell
Banida	UP&L	None	Mt. Bell
Banks	Idaho Power	None	Continental
Basalt	UP&L	Intermountain	Mt. Bell
Bayview	PP&L	None	General
Bellevue	Idaho Power	Intermountain	Mt. Bell
Berger	Idaho Power	None	Mt. Bell
Bern	UP&L	None	Mt. Bell
Blackfoot	Idaho Power	Intermountain	Mt. Bell
Blanchard	WWP	None	General
Bliss	Idaho Power	None	Mt. Bell
Bloomington	UP&L	None	Mt. Bell
Boise	Idaho Power	Intermountain	Mt. Bell
Bone	UP&L	None	Mt. Bell

City	Electric Company	Gas Company	Telephone Company
Bonners Ferry	Bonners Ferry Light	WWP	General
Bovill	WWP	WWP	General
Bowmont	Idaho Power	None	Mt. Bell
Bridge	Raft River Coop	None	Albion
Bruneau	Idaho Power	None	Gem State
Buhl	Idaho Power	Intermountain	Mt. Bell
Burke	Citizens	None	General
Burmah	Idaho Power	None	Project Mutual
Burley	Burley Municipal	Intermountain	Mt. Bell
Butte City	Lost River Coop	None	Mt. Bell
Cabinet	Northern Lights	None	General
Calder	WWP	None	General
Caldwell	Idaho Power	Intermountain	Mt. Bell
Cambridge	Idaho Power	None	Cambridge
Cape Horn	Idaho Power	None	No Service
Carey	Idaho Power	None	Continental
Careywood	Northern Lights	None	General
Carmen	Idaho Power	None	Century
Cascade	Idaho Power	None	Continental
Castleford	Idaho Power	None	Mt. Bell
Cataldo	WWP	WWP	General
Cavendish	Clearwater Power	None	General
Centerville	Idaho Power	None	Mt. Bell
Challis	Salmon River Coop	None	Custer Coop
Chatcolet	Plummer Electric	None	General
Chester	UP&L	None	Mt. Bell
Chubbuck	Idaho Power	Intermountain	Mt. Bell
Clark Fork	PP&L	None	General
Clarkia	Clearwater Power	None	General
Clayton	Salmon River Coop	None	Custer Coop
Clearwater	Idaho Co. Light	None	PNB
Clifton	UP&L	None	Mt. Bell
Clover	Idaho Power	None	Mt. Bell
Cobalt	Idaho Power	None	Lemhi
Cocolalla	Northern Lights	None	General
Coeur d'Alene	WWP	WWP	General
Colburn	Northern Lights	None	General

City	Electric Company	Gas Company	Telephone Company
Conda	UP&L	None	Mt. Bell
Coolin	Northern Lights	None	General
Copeland	Northern Lights	None	General
Corral	Prairie Power Coop	None	Continental
Cottonwood	WWP	None	PNB
Council	Idaho Power	None	Mt. Bell
Craigmont	Clearwater Power/WWP	None	PNB
Crouch	Idaho Power	None	Continental
Culdesac	Clearwater Power/WWP	None	PNB
Cuprum	Idaho Power	None	Cambridge
Dalton Gardens	WWP	None	General
Darlington	Lost River Coop	None	Mt. Bell
Dayton	UP&L	None	Mt. Bell
Deary	Clearwater Power/WWP	WWP	General
Declo	Declo Municipal	Intermountain	Mt. Bell
De Smet	Kootenai Electric	None	General
Dietrich	Idaho Power	None	Mt. Bell
Dingle	UP&L	None	Mt. Bell
Dixie	Idaho Co. Light	None	Continental
Donnelly	Idaho Power	None	Continental
Dover	PP&L	None	General
Downey	UP&L	None	Mt. Bell
Driggs	Fall River Coop	None	Mt. Bell
Drummond	Fall River Coop	None	Mt. Bell
Dubois	Dubois Electric	None	Mud Lake Co-op
Eagle	Idaho Power	Intermountain	Mt. Bell
East Hope	PP&L	None	General
Eastport	Northern Lights	None	General
Eden	Idaho Power	None	Mt. Bell
Eddyville	WWP	None	General
Edgemere	Northern Lights	None	General
Elba	Raft River Coop	None	Albion Telephone
Elk City	WWP	None	Continental
Elk River	WWP	None	General
Ellis	Salmon River Coop	None	Mt. Bell
Elmira	Northern Lights	None	General
Emida	Clearwater Power	None	General

City	Electric Company	Gas Company	Telephone Company
Emmett	Idaho Power	Intermountain	Mt. Bell
Enaville	WWP	None	General
Fairfield	Idaho Power	None	Continental
Fairview	UP&L	None	Mt. Bell
Felt	Fall River Coop	None	Mt. Bell
Fenn	WWP	None	PNB
Ferdinand	WWP	None	PNB
Fernan Lake	WWP	None	General
Fernwood	Clearwater Power	None	General
Featherville	Prairie Power Coop	None	Rural
Filer	Idaho Power	Intermountain	Filer Mutual
Firth	UP&L	Intermountain	Mt. Bell
Fish Haven	UP&L	None	Mt. Bell
Fort Hall	Idaho Power	None	Mt. Bell
Franklin	UP&L	None	Mt. Bell
Fruitland	Idaho Power	Intermountain	Farmers Mutual
Fruitvale	Idaho Power	None	Mt. Bell
Gannett	Idaho Power	None	Mt. Bell
Gardena	Idaho Power	None	Continental
Garden City	Idaho Power	Intermountain	Mt. Bell
Garden Valley	Idaho Power	None	Continental
Gem	Citizens Utilities	None	General
Genesee	Clearwater Power/WWP	WWP	General
Geneva	UP&L	None	Mt. Bell
Georgetown	UP&L	Intermountain	Mt. Bell
Gibbonsville	Idaho Power	None	Century
Gifford	Clearwater Power	None	Inland
Gilmore	Idaho Power	None	Century
Glenns Ferry	Idaho Power	Intermountain	Mt. Bell
Golden	WWP	None	Continental
Good Grief	Northern Lights	None	General
Gooding	Idaho Power	Intermountain	Mt. Bell
Grace	UP&L	Intermountain	Mt. Bell
Grand View	Idaho Power	None	Gem State
Grangemont	Clearwater Power	None	General
Grangeville	WWP	None	PNB
Granite	Northern Lights	None	General

City	Electric Company	Gas Company	Telephone Company
Grasmere	Idaho Power	None	Gem State
Greencreek	PP&L	None	PNB
Greenleaf	Idaho Power	None	Mt. Bell
Greer	WWP	None	General
Hagerman	Idaho Power	None	Mt. Bell
Hailey	Idaho Power	Intermountain	Mt. Bell
Hamer	UP&L	None	Mud Lake Co-op
Hammett	Idaho Power	Intermountain	Mt. Bell
Hansen	Idaho Power	Intermountain	Mt. Bell
Harpster	Idaho Co. Light	None	PNB
Harrison	Kootenia Elec/WWP	None	General
Harvard	Clearwater Power	None	General
Hauser	WWP	None	General
Hayden	WWP	WWP	General
Hayden Lake	Kootenai Elec/WWP	WWP	General
Hazelton	Idaho Power	None	Mt. Bell
Headquarters	WWP	None	General
Heise	UP&L	None	Mt. Bell
Helmer	Clearwater Power	None	General
Heyburn	Heyburn Electric	Intermountain	Mt. Bell
Hill City	Prairie Power Coop	None	Continental
Holbrook	UP&L	None	Albion Telephone
Hollister	Idaho Power	None	Filer Mutual
Homedale	Idaho Power	Intermountain	Continental
Hope	Pacific Power	None	General
Horseshoe Bend	Idaho Power	None	Continental
Howe	UP&L	None	Mt. Bell
Huetter	WWP	WWP	General
Humphrey	UP&L	None	Mt. Bell
Huston	Idaho Power	None	Mt. Bell
Idaho City	Idaho Power	None	Mt. Bell
Idaho Falls	Idaho Falls Electric	Intermountain	Mt. Bell
Indian Valley	Idaho Power	None	Cambridge
Inkom	Idaho Power	Intermountain	Mt. Bell
Iona	UP&L	Intermountain	Mt. Bell
Irwin	Lower Valley Power	None	Silver Star
Island Park	Fall River Rural	None	Mt. Bell

City	Electric Company	Gas Company	Telephone Company
Jerome	Idaho Power	Intermountain	Mt. Bell
Juliaetta	Clearwater Power/WWP	None	Potlatch
Juniper	Raft River Coop	None	Mt. Bell
Kamiah	WWP	None	PNB
Kellogg	WWP	WWP	General
Kendrick	Clearwater Power/WWP	None	Potlatch
Ketchum	Idaho Power	Intermountain	Mt. Bell
Kilgore	UP&L	None	Mud Lake Co-op
Kimama	Idaho Power	None	Project Mutual
Kimberly	Idaho Power	Intermountain	Mt. Bell
King Hill	Idaho Power	None	Mt. Bell
Kingston	WWP	WWP	General
Kooskia	WWP	None	PNB
Kootenai	Pacific Power	None	General
Kuna	Idaho Power	Intermountain	Mt. Bell
Laclede	PP&L/Northern Lights	None	General
Lake Fork	Idaho Power	None	Continental
Lamb Creek	Northern Lights	None	General
Lane	WWP	None	General
Lapwai	Clearwater Power/WWP	None	PNB
Lava Hot Springs	UP&L	Intermountain	Mt. Bell
Leadore	Idaho Power	None	Century
Lemhi	Idaho Power	None	Century
Lenore	Clearwater Power	None	Inland
Leon	Clearwater Power/WWP	None	Inland
Letha	Idaho Power	None	Continental
Lewiston	WWP	WWP	PNB
Lewisville	UP&L	Intermountain	Mt. Bell
Lincoln	UP&L	None	Mt. Bell
Lorenzo	UP&L	None	Mt. Bell
Lost River	Idaho Power	None	Mt. Bell
Lowman	Idaho Power	None	Cambridge
Lucile	Idaho Power	None	Continental
Lund	UP&L	None	Mt. Bell
Mackay	Lost River Coop	None	Mt. Bell
Malad City	UP&L	None	Mt. Bell
Malta	Raft River Coop	None	Albion Telephone

City	Electric Company	Gas Company	Telephone Company
Marion	Idaho Power	None	Mt. Bell
Marsing	Idaho Power	Intermountain	Continental
Maryville	UP&L	None	Mt. Bell
May	Salmon River Coop	None	Custer Coop
McCall	Idaho Power	None	Continental
McCammon	UP&L	Intermountain	Mt. Bell
Meadows	Idaho Power	None	Continental
Meadow Creek	Northern Lights/ Bonners Ferry Light	None	General
Medimont	Kootenai Electric	None	General
Melba	Idaho Power	None	Mt. Bell
Menan	UP&L	None	Mt. Bell
Meridian	Idaho Power	Intermountain	Mt. Bell
Mesa	Idaho Power	None	Cambridge
Middleton	Idaho Power	Intermountain	Mt. Bell
Midvale	Idaho Power	None	Midvale
Minidoka	Minidoka Electric	None	Project Mutual
Mink Creek	UP&L	None	Mt. Bell
Monteview	UP&L	None	Mud Lake Co-op
Montour	Idaho Power	None	Continental
Montpelier	UP&L	Intermountain	Mt. Bell
Moore	Lost River Coop	None	Mt. Bell
Moreland	Idaho Power	Intermountain	Mt. Bell
Moscow	WWP	WWP	General
Mountain Home	Idaho Power	Intermountain	Mt. Bell
Moyie Springs	Northern Lights/ Bonners Ferry Light	None	General
Mud Lake	UP&L	None	Mud Lake Co-op
Mullan	Citizens	None	General
Murphy	Idaho Power	None	Mt. Bell
Murray	WWP	None	General
Murtaugh	Idaho Power	Intermountain	Mt. Bell
Myrtle	Clearwater Power	None	PNB
Naf	Raft River Coop	None	Albion
Nampa	Idaho Power	Intermountain	Mt. Bell
Naples	Northern Lights	None	General
Neeley	Idaho Power	None	Mt. Bell

City	Electric Company	Gas Company	Telephone Company
Newdale	UP&L	None	Mt. Bell
New Meadows	Idaho Power	None	Continental
New Plymouth	Idaho Power	Intermountain	Mt. Bell
Nezperce	Clearwater Power/WWP	None	PNB
Norland	Idaho Power	None	Project Mutual
Nordman	Northern Lights	None	General
North Fork	Idaho Power	None	Century
Notus	Idaho Power	Intermountain	Mt. Bell
Nounan	UP&L	None	Mt. Bell
Oakley	Idaho Power	None	Mt. Bell
Ola	Idaho Power	None	Continental
Oldtown	Pacific Power	None	General
Onaway	WWP	None	General
Orchard	Idaho Power	None	Mt. Bell
Oreana	Idaho Power	None	Gem State
Orofino	Clearwater Power/WWP	None	General
Orogrande	WWP	None	Elk City
Osburn	WWP	WWP	General
Ovid	UP&L	None	Mt. Bell
Oxford	UP&L	None	Mt Bell
Paris	UP&L	None	Mt. Bell
Parker	UP&L	Intermountain	Mt. Bell
Parma	Idaho Power	Intermountain	Continental
Patterson	Salmon River Coop	None	Century
Paul	Idaho Power/Rural	Intermountain	Project Mutual
Pauline	Idaho Power	None	Rockland
Payette	Idaho Power	Intermountain	Mt. Bell
Pearl	Idaho Power	None	Mt. Bell
Peck	Clearwater Power	None	General
Picabo	Idaho Power	None	Mt. Bell
Pierce	WWP	None	General
Pine	Prairie Power Coop	None	Rural
Pinehurst	WWP	WWP	General
Pingree	Idaho Power	None	Mt. Bell
Pioneerville	Idaho Power	None	Mt. Bell
Placerville	Idaho Power	None	Mt. Bell
Plummer	Plummer Electric	None	General

City	Electric Company	Gas Company	Telephone Company
Pocatello	Idaho Power	Intermountain	Mt. Bell
Pollock	Idaho Power	None	Continental
Ponderay	Pacific Power	None	General
Porthill	WWP/Northern Lights	None	General
Portneuf	Idaho Power	None	Mt Bell
Post Falls	Kootenai Elec/WWP	WWP	General
Potlatch	Clearwater Power/WWP	None	Potlatch
Prairie	Idaho Power	None	Rural
Preston	UP&L	None	Mt. Bell
Priest River	PP&L	None	General
Princeton	Clearwater Power	None	General
Raft River	Raft River Coop	None	Albion Telephone
Rathdrum	Kootenai Elec/WWP	WWP	General
Reubens	Clearwater Power/WWP	None	PNB
Rexburg	UP&L	Intermountain	Mt. Bell
Reynolds Creek	Idaho Power	None	Mt. Bell
Richfield	Idaho Power	None	Gem State
Riddle	Idaho Power	None	Gem State
Rigby	UP&L	Intermountain	Mt. Bell
Riggins	Idaho Power	None	Continental
Ririe	UP&L	None	Mt. Bell
Riverside	Idaho Power	None	Mt. Bell
Roberts	UP&L	Intermountain	Mt. Bell
Robin	UP&L	None	Mt. Bell
Rock Creek	Idaho Power	None	Mt. Bell
Rockford	Idaho Power	None	Mt. Bell
Rockland	Idaho Power	None	Rockland
Rogerson	Idaho Power	None	Filer Mutual
Rose Lake	WWP	None	General
Roswell	Idaho Power	None	Continental
Roy	Idaho Power	None	Rockland
Rupert	Idaho Power	Intermountain	Project Mutual
Sagle	Pacific Power	None	General
St. Anthony	UP&L	Intermountain	Mt. Bell
St. Charles	UP&L	None	Mt. Bell
St. Joe	WWP	None	General
St. Maries	Clearwater Power/WWP	None	General

City	Electric Company	Gas Company	Telephone Company
Salmon	Idaho Power	None	Century
Samaria	UP&L	None	Mt. Bell
Samuels	Northern Lights	None	General
Sanders	Clearwater Power	None	General
Sandpoint	PP&L	None	General
Santa	Clearwater Power	None	General
Shelley	UP&L	Intermountain	Mt. Bell
Shoshone	Idaho Power	Intermountain	Mt. Bell
Silverton	Citizens	None	General
Smelterville	WWP	WWP	General
Smiths Ferry	Idaho Power	None	Continental
Soda Springs	Soda Springs Muni	Intermountain	Mt. Bell
Southwick	Clearwater Power	None	General
Spalding	WWP	None	General
Spencer	UP&L	None	Mud Lake Co-op
Spirit Lake	WWP	None	General
Springston	WWP	None	General
Springfield	Idaho Power	None	Continental
Stanley	Salmon River Coop	None	Mt. Bell
Star	Idaho Power	None	Mt. Bell
Starkey	Idaho Power	None	Mt. Bell
State Line	WWP	WWP	General
Sterling	Idaho Power	None	Continental
Stibnite	Idaho Power	None	(Radio Phone)
Stites	WWP	None	PNB
Stone	UP&L	None	Albion
Sublett	Raft River Coop	None	Albion
Sugar City	UP&L	Intermountain	Mt. Bell
Sunbeam	Salmon River Coop	None	Custer Co-op
Sun Valley	Idaho Power	Intermountain	Mt. Bell
Swanlake	UP&L	None	Mt. Bell
Swan Valley	Lower Valley Power	None	Silver Star
Sweet	Idaho Power	None	Continental
Tamarack	Idaho Power	None	Continental
Tendoy	Idaho Power	None	Century
Tensed	Clearwater Power	None	General
Terreton	UP&L	None	Mud Lake Co-op

City	Electric Company	Gas Company	Telephone Company
Teton	UP&L	None	Mt. Bell
Tetonia	Fall River Coop	None	Mt. Bell
Thatcher	UP&L	None	Mt. Bell
Thornton	UP&L	None	Mt. Bell
Three Creek	Idaho Power	None	Rural
Triangle	Idaho Power	None	Rural
Triumph	Idaho Power	None	None
Troy	Clearwater Power/WWP	WWP	Troy
Tuttle	Idaho Power	None	Mt. Bell
Twin Falls	Idaho Power	Intermountain	Mt. Bell
Tyhee	Idaho Power	None	Mt. Bell
Uco[illegible]	UP&L	Intermountain	Mt. Bell
Victor	Fall River Coop	None	Mt. Bell
Viola	Clearwater Power	None	General
Virginia	UP&L	None	Mt. Bell
Waha	Clearwater Power/WWP	None	General
Wallace	Citizens	WWP	General
Wapello	Idaho Power	None	Mt. Bell
Wardner	WWP	WWP	General
Warm Lake	Idaho Power	None	None
Warm River	Fall River Coop.	None	Mt. Bell
Warren	Idaho Power	None	None
Wayan	Lower Valley Power	None	Silver Star
Weippe	Clearwater Power/WWP	WWP	General
Weiser	Idaho Power	Intermountain	Mt. Bell
Wendell	Idaho Power	Intermountain	Mt. Bell
Westmond	Northern Lights	None	General
Weston	UP&L	None	Mt. Bell
White Bird	Idaho Co. Light	None	Continental
Whitney	UP&L	None	Mt. Bell
Wilder	Idaho Power	None	Continental
Winchester	WWP	None	PNB
Woodland	WWP	None	PNB
Worley	WWP	None	General
Yellow Pine	Idaho Power	None	(Radio Phone)